

## **EXECUTIVE SUMMARY-STAFF REPORT**

TO: CITY COUNCIL  
FROM: CITY MANAGER  
SUBJECT: EXECUTION OF A CABLE TELEVISION FRANCHISE AGREEMENT BETWEEN  
THE CITY AND VERIZON CALIFORNIA INC.

### **Background:**

Verizon California, Inc. ("Verizon") currently is in the process of upgrading its existing Telecommunications Facilities in the City by installing a state-of-the-art Fiber to the Premise Telecommunications Network ("FTTP Network"). As set forth in more detail in the attached full staff report, Verizon filed an application with the City to use the FTTP Network, once installed, to provide cable television service to Beaumont residents, under the terms and conditions of the proposed franchise agreement. Beaumont will be one of the first communities in California to receive Verizon's fiber-based cable television service and the City is poised to be the very first community in the nation to grant Verizon a franchise to provide cable television service.

Federal, state and local law set forth requirements with respect to granting an additional cable television franchise. Based upon the information in Verizon's application, other evidence presented to staff and its own investigation, staff finds that the proposed franchise agreement meets all of the legal requirements for Council approval and complies with any applicable provisions in existing franchises.

Negotiations between Verizon and the City have resulted in an agreement that contains a number of provisions designed to further the best interests of the City and its residents. Awarding this franchise will give citizens of Beaumont additional choices for providers of cable service. Approval of the proposed franchise agreement will be a significant step towards recognizing a variety of the benefits that cable television competition can bring to our residents.

### **Fiscal Impact:**

Granting Verizon a franchise to provide cable television services will have a positive fiscal impact on the City. Granting Verizon a franchise will increase cable television penetration, adding subscribers to the City's franchise fee base.

### **Recommendation:**

It is recommended that the City Council open a public hearing to take public input on the proposed cable television franchise agreement between the City and Verizon and consider the impacts of the proposed franchise agreement. Following close of the public hearing, Staff recommends the following actions:

- 1) Adopt Findings of Fact evidencing the Council's consideration of each of the requirements and criteria enumerated in California Government Code § 53066.3, Beaumont Municipal Code chapter 5.36, all other applicable provisions of law, as well as any applicable provisions of existing franchises, which support the Council's approval of the proposed cable television franchise agreement; and
- 2) Adopt a Resolution approving the proposed cable television franchise agreement between the City and Verizon and authorizing and directing the City Manager to execute the proposed franchise agreement.

Respectfully Submitted,



Alan C. Kapanicas, City Manager



## Mt. San Jacinto Community College District

San Jacinto Campus  
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**Richard J. Giese**  
*Superintendent/President*

### Board of Trustees

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October 21, 2004

Mr. Alan Kapanicas  
City of Beaumont  
500 East Sixth Street  
Beaumont, CA 92220

Dear Mr. Kapanicas:

As president of Mt. San Jacinto College, I would like to lend my support for Verizon California's cable franchise application, now under consideration before the City Council.

We have recently heard a great deal about the importance of education in fostering job growth, building skills in the technology economy, and contributing to a revitalized workforce. As a college that educates thousands of working adults that include a growing number of working parents, we believe that one of the best ways to realize the vision of our government leaders is through the use of advanced technology for education and job training.

Across the Southland, we find that there are large numbers of high school graduates and older adults who do not have the means to travel long distances to earn a degree, build job skills or retrain for new careers in a traditional college classroom. While we do a good job of reaching out to many through satellite campuses and online classes, we know that thousands more could be reached at home via the fiber connections that Verizon plans to deliver to Beaumont and other communities in the Inland Empire. We at Mt. San Jacinto College hold great hope in the prospect of fiber technology that allows a student to come home from her full time job turn on her television or PC and interact with a classroom many miles away – all while her children play nearby.

We also have a great need for improved delivery speeds. They are unprecedented, and have the potential for transforming the two-way interactive education experience into one that's full-motion and highly enjoyable – as rich and rewarding as being right there in front of the instructor.

I urge you to consider supporting the proposal for Verizon's new technology, and to help us employ the use of television for the greater good – something that provides us more than entertainment. You can do that by approving Verizon's cable franchise agreement as quickly as possible.

Sincerely,

Richard J. Giese, Ed.D.  
President/Superintendent

RJG/kg

c: Mayor Larry Dressel  
Mayor Pro Tem Jeff Fox  
Councilmember Brian DeForge  
Councilmember Roger Berg  
Councilmember WM "Marty" Killough

## **STAFF REPORT**

TO: CITY COUNCIL

FROM: CITY MANAGER

SUBJECT: EXECUTION OF A CABLE TELEVISION FRANCHISE AGREEMENT  
BETWEEN THE CITY AND VERIZON CALIFORNIA INC.

### **Recommendation:**

It is recommended that the City Council:

- 1) Conduct a public hearing to gather public input on the proposed cable television franchise agreement between the City and Verizon California Inc. and to consider the impacts of the proposed Franchise Agreement, as required by California Government Code § 53066.3, Chapter 5.36 of the Beaumont Municipal Code, 47 U.S.C. § 541(a), other applicable provisions of law, as well as any applicable provisions of existing franchises;
- 2) Adopt certain Findings of Fact evidencing the Council's consideration of each of the requirements and criteria enumerated in California Government Code § 53066.3, Beaumont Municipal Code chapter 5.36, 47 U.S.C. § 541(a), all other applicable provisions of law, as well as any applicable provisions of existing franchises, which support the Council's approval of the proposed cable television franchise agreement; and
- 3) Adopt a resolution approving the proposed cable television franchise agreement and authorizing and directing execution of the proposed Franchise Agreement between the City and Verizon California Inc.

### **Summary:**

Pursuant to Chapter 5.36 of the Municipal Code, Verizon California Inc. ("Verizon") applied for a franchise to operate and provide cable television service in the City on October 14, 2004. A true and correct copy of the proposed Franchise Agreement negotiated with the City's representatives was included with Verizon's application and has been available for inspection in the City Clerk's office since that date. Notice of public hearing before the City Council to consider the proposed cable television franchise agreement was properly published in the Record Gazette on October 15 and 22, 2004, in accordance with Government Code §§ 6066 and 53066.3(a)-(d).

Verizon currently is in the process of upgrading its existing Telecommunications Facilities in the City by installing a state-of-the-art Fiber to the Premise Telecommunications Network ("FTTP Network"). Verizon has chosen Beaumont to be one of the first communities in the nation to receive the benefits of this FTTP Network. The FTTP Network will utilize fiber-optic cables and associated optical electronics instead of copper wire to connect customers to the Verizon

network. The FTTP Network will use laser-generated pulses of light to transmit voice, data and video signals via the fiber at speeds and capacities far exceeding today's copper-cable systems.

Amongst the services which Verizon's FTTP Network will enable is cable television service. Verizon therefore filed an application with the City to use the FTTP Network, once installed, to provide cable television service to Beaumont residents in competition with the existing cable television operators, under the terms and conditions of the proposed Franchise Agreement. Beaumont will be one of the first communities in California to receive Verizon's fiber-based cable television service and the City is poised to be the very first community in the nation to grant Verizon a franchise to provide cable television service.

Federal, state and local law set forth requirements with respect to granting an additional cable television franchise. Section 621(a) of the Communications Act requires that the City "assure that access to cable service is not denied to any group of potential residential cable subscribers because of the income of the residents of the local area in which such group resides" and sets forth certain provisions which shall or may be included in a franchise. 47 U.S.C. § 541(a)(3)-(4); *see also* Government Code § 53066.3(b), (d). California Government Code Section 53066.3 requires that the City conduct a public hearing to identify the impacts on the community of granting an additional cable television franchise and the City Council to consider certain enumerated criteria in making its determination whether to grant an additional franchise. Similarly, Section 5.36.230 of the Municipal Code requires the City Council to give "due consideration" to certain factors in determining whether to grant an additional cable television franchise.

Staff has examined each of the legal requirements for Council approval of the draft cable television franchise agreement, as well as any applicable provisions in existing franchises. Based upon the information and representations set forth in Verizon's application, other evidence presented to staff and its own investigation, we find that the proposed Franchise Agreement meets all of the legal requirements for Council approval and complies with any applicable provisions in existing franchises. Staff therefore recommends that the City Council approve the proposed cable television franchise agreement and authorize and direct the City Manager to execute the proposed Franchise Agreement.

As set forth more fully below in this Report, negotiations between Verizon and the City have resulted in an agreement that contains a number of provisions designed to further the best interests of the City and its residents. Approval of the proposed Franchise Agreement will be a significant step towards bringing the benefits of cable competition to the City and its residents, including higher customer service quality, improved programming and lower rates. Although the City is served by two incumbent cable television operators, they currently do not compete with one another for customers throughout the City because the service areas of these operators do not overlap. Awarding a franchise to Verizon thus will afford the residents of Beaumont, for the first time, a choice of more than one provider of cable service.

### **Background:**

Verizon properly filed a cable television franchise application pursuant to Section 5.36.220 of the Municipal Code and paid the fee required by Section 5.36.225 of the Municipal Code on October 14, 2004. Verizon's application includes a true and correct copy of the proposed Franchise Agreement, which agreement comports with the requirements of Section 5.36.227 of the Municipal Code. Verizon is registered with the City and the business license that Verizon currently holds as a telecommunications carrier in Beaumont (Bus. License No. 00124, effective July 1, 2004) meets the requirements of Section 5.36.115 of the Municipal Code.

Verizon is installing its FTTP Network as a common carrier pursuant to Title II of the Communications Act, and in accordance with its certificate of public convenience and necessity issued by the California Public Utilities Commission, Section 7901 of the California Public Utilities Code and General Administrative Order 95. In addition to telecommunications services, Verizon's FTTP Network, once installed, will enable to provision of cable television service to the residents of Beaumont.

Verizon seeks to provide cable television service to Beaumont residents in competition with the existing cable television operators serving the City, under the terms and conditions of the proposed Franchise Agreement. Verizon will provide the cable television service over its FTTP network, a network which also will provide Beaumont residents with voice and extremely high-speed data services.

The City's franchising of additional cable television providers is governed by Chapter 5.36 of the Municipal Code, California Government Code § 53066.3 and Title VI of the Communications Act.

In accordance with Section 5.36.230 of the Municipal Code, upon receipt of an application for a new franchise, the City Council may, by resolution, approve or conditionally approve a franchise agreement with the applicant or deny the application. In reviewing such an application and making its determination whether to approve the proposed franchise agreement, the City Council must give "due consideration" to certain criteria, *specifically*: the quality of the service proposed; the rates to subscribers; and the experience, character, background and financial responsibility of the applicant, its management and owners; the system design; the technical and performance quality of the equipment; the willingness and ability of the applicant to meet construction requirements and to meet and abide by franchise limitations and requirements; and other considerations deemed pertinent by the Council for safeguarding the interests of the City and the public.

Similarly, Government Code § 53066.3(a) requires the City Council to consider certain enumerated criteria in determining whether to grant an additional cable television franchise. These criteria are:

- Whether there will be significant positive or negative impacts on the community being served.

- Whether there will be an unreasonable adverse economic or aesthetic impact upon public or private property within the area.
- Whether there will be an unreasonable disruption or inconvenience to existing users, or any adverse effect on future use, of utility poles, public easements, and the public rights-of-way contrary to the intent of Section 767.5 of the Public Utilities Code.
- Whether the franchise applicant has the technical and financial ability to perform.
- Whether there is any impact on the franchising authority's interest in having universal cable service.
- Whether other societal interests generally considered by franchising authorities will be met.
- Whether the operation of an additional cable television system in the community is economically feasible.
- Such other additional matters, both procedural and substantive, as the franchising authority may determine to be relevant.

Government Code § 53066.3(d) sets forth two requirements for the granting of an additional franchise. *First*, that the proposed cable television franchise requires “the franchisee to wire and serve the same geographical area within a reasonable time and in a sequence which does not discriminate against lower income or minority residents,” and, *second*, that the proposed cable television franchise “contain[s] the same public, educational, and governmental access requirements that are set forth in the existing franchise.”

Section 621 of the Communications Act, 47 U.S.C. § 541(a)(3), requires that the grant of an additional franchise assure the provision of service on a nondiscriminatory basis, *specifically*, that the proposed cable television franchise “assure that access to cable service is not denied to any group of potential residential cable subscribers because of the income of the residents of the local area in which such group resides,” consistent with the first requirement of Government Code § 53066.3(d) previously set forth.

Finally, Section 11.3 of the City’s existing cable television franchise with Adelphia (formerly, the TCI Cablevision of California franchise) provides that “In the event the Franchising Authority enters into a Franchise, permit, license, authorization, or other agreement of any kind with any other Person or entity other than the Grantee to enter into the Franchising Authority’s Public Ways for the purpose of constructing or operating a Cable System or providing Cable Service to any part of the Service Area, the material provisions therefore shall be reasonably comparable to those contained herein, in order that one provider not be granted an unfair competitive advantage over another, and to provide all parties equal protection under the law.”

Staff has examined each of these legal requirements in the context of the provisions of the proposed Franchise Agreement, the information and representations set forth in Verizon’s application, other evidence presented to staff and staff’s own investigation. Staff sets forth its analysis of each below.

### **Major Provisions of the Proposed Franchise Agreement:**

The City's representatives have negotiated the proposed Franchise Agreement with Verizon based on staff's identification and prioritization of the cable-related needs and interests of the residents of Beaumont, and with the goal of creating parity with the PEG ("Public, Educational and Governmental") service obligations contained in the incumbent cable television providers' franchises. The proposed Franchise Agreement with Verizon includes the following key provisions:

- Provision of cable television service to all residential areas of Verizon's designated Service Area within 12 months of the effective date the proposed Franchise Agreement. Proposed Franchise Agreement § 3; *see, generally*, Municipal Code § 5.36.227.a.1.
- Quarterly franchise fee payments of five percent (5%) of Gross Revenues, as defined. Proposed Franchise Agreement §§ 1.16, 7; *see, generally*, Municipal Code §§ 5.36.227.a.2, 5.36.605-.630.
- A fifteen-year franchise term. Proposed Franchise Agreement § 2.3; *see, generally*, Municipal Code §§ 5.36.227.a.1, 5.36.215.
- Educational and governmental programming and support that are equivalent to those of the incumbent providers in the City, including dedicated educational access and governmental access channels and the requirement to interconnect with the existing cable television operators in Beaumont for the carriage of the educational and governmental access programming on these channels. Proposed Franchise Agreement § 6; *see, generally*, Municipal Code §§ 5.36.227.a.8, 5.36.340-.355.
- Extensive customer service requirements, including requirements regarding telephone availability for customer inquiries, billing, installation and service calls, complaint procedures, and communications with subscribers. Proposed Franchise Agreement § 8; *see, generally*, Municipal Code §§ 5.36.227.a.7, 5.36.265, 5.36.400 *et seq.*
- Liability insurance and indemnification requirements. Proposed Franchise Agreement § 10; *see, generally*, Municipal Code § 5.36.227.a.6.

Other pertinent provisions of the proposed Franchise Agreement include:

- Enforcement and termination provisions. Proposed Franchise Agreement § 13; *see, generally*, Municipal Code § 5.36.227.a.5, 12.
- Technical standards for operation of Verizon's cable television system. Proposed Franchise Agreement § 5; *see, generally*, Municipal Code § 5.36.320-.330.
- Emergency Alert System requirements. Proposed Franchise Agreement § 5.3; *see, generally*, Municipal Code § 5.36.360.

- Reporting and recordkeeping requirements. Proposed Franchise Agreement § 9; *see, generally*, Municipal Code §§ 5.36.227.a.11.
- Franchise renewal and transfer procedures. Proposed Franchise Agreement §§ 11, 12; *see, generally*, Municipal Code §§ 5.36.227.a.13, 5.36.235, 5.36.240.

Because the proposed Franchise Agreement is the product of negotiations, staff notes that certain provisions of the proposed of the agreement differ from the City's Telecommunications Ordinance – *in fact*, some of the proposed Franchise Agreement provisions provide greater protections than the Ordinance requires. Such differences specifically are permitted by law and the agreement as a whole is in the public interest. *See* Municipal Code § 5.36.277.b.

### **Analysis of Legal Requirements:**

The proposed Franchise Application is being submitted to the City Council at a properly noticed public hearing, in accordance with the requirements of California Government Code §§ 6066 and 53066.3(a).

Staff has analyzed each of the requirements for the grant of an additional cable television franchise, including but not limited to the Council's due consideration of certain criteria enumerated by California law and the Municipal Code, as follows:

- (1) ***Whether there will be significant positive or negative impacts on the community being served.*** *See* Government Code § 53066.3(a)(1).

The grant of a nonexclusive cable television franchise to Verizon will have no negative impacts on the community and the overall impact of Verizon's presence as a cable television service provider in Beaumont will be positive. Among the most significant positive impacts of Verizon's presence are those directly related to the benefits that cable competition will bring to our residents, including, but not limited to:

- Customer choice for different services that competing providers will offer. Verizon's service will offer an extensive lineup of video programming, both traditional and nontraditional, government access programming and pay-per-view services.
- Higher customer service quality, improved programming and lower rates.

Federal, state and local law favors competition in the provision of cable television services directly to consumers and it is broadly recognized at all levels of government that cable competition benefits consumers by encouraging greater efficiency, lower prices, and improved customer service.

- The express purpose of the City's Telecommunications Ordinance is to promote competition in the telecommunications industry, and Section 5.36.212(a)(2) explicitly notes that "lower rates and improved service" are benefits that "may accrue to subscribers as a result of cable system competition."



- The State Legislature has similarly specifically proclaimed by statute that: “[t]he Legislature hereby finds and declares that the policies for telecommunications in California are . . . to promote lower prices, broader consumer choice, and avoidance of anticompetitive conduct” and “to remove the barriers to open and competitive markets and promote fair product and price competition in a way that encourages greater efficiency, lower prices, and more consumer choice.” Cal. Pub. Util. Code § 709.
- Congress, the General Accounting Office, and the FCC have specifically found that wireline competition in the provision of cable television service results in higher customer service quality, improved programming and lower rates. *See, e.g.*, 47 U.S.C. § 521(6) (stating that it is the purpose of the Cable Act to “promote competition in cable communications”); H.R. Rep. 102-628 (“The Committee continues to believe that competition is essential both for ensuring diversity in programming and for protecting consumers from potential abuses by cable operators possessing market power . . . The Committee believes that steps must be taken to encourage the further development of robust competition,” including encouraging “cable overbuilds.”); General Accounting Office, *Wire-Based Competition Benefited Consumers in Selected Markets*, Report to the Subcommittee on Antitrust, Competition Policy and Consumer Rights, Committee on the Judiciary, U.S. Senate (Feb. 2004); *Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming*, MB Docket No. 03-172, FCC 04-5, ¶ 11 (2004).
- Consumer advocates repeatedly have confirmed the positive effects of wireline cable competition. *See, e.g.*, The Failure of Cable Deregulation: A Blueprint for Creating a Competitive, Pro-Consumer Cable Television Marketplace, U.S. Public Interest Research Group, August 2003, available at URL: <http://uspirg.org/uspirg.asp?id2=10531&id3=USPIRG&>.

By fostering competition, granting Verizon a nonexclusive franchise to provide cable television services will have a significant positive impact on Beaumont and will not have any negative impact.

**(2) *Whether there will be an unreasonable adverse economic or aesthetic impact upon public or private property within the area.* See Government Code § 53066.3(a)(2).**

Staff has determined that the grant of a nonexclusive cable television franchise to Verizon will not result in any unreasonable adverse economic and aesthetic impacts upon public or private property within Beaumont.

Granting Verizon a franchise to provide cable television services will not have an adverse economic impact on the City. To the contrary, Staff finds that granting Verizon a franchise will bring substantial economic and developmental benefits to our City.

- Grant of the franchise will bring competitiveness for video programming service to the residents of Beaumont and result in a positive economic impact for subscribers. There will also be a positive impact on Beaumont’s economic development efforts.

With the grant of a franchise to Verizon, Beaumont will be one of first communities in the nation where residents and businesses have available to them a “triple play” of video, voice and data over a state-of-the-art FTTP communications network. This FTTP network will enable Beaumont residents to enjoy a top-of-the-line digital cable television service, with unparalleled high-definition capabilities and channel capacity, unencumbered by the need to “share” bandwidth with voice and data.

- Granting Verizon a franchise will also increase cable television penetration, adding subscribers to the City’s franchise fee base. Some residents who do not currently subscribe to cable television or who are satellite customers today will subscribe to Verizon’s video service, thereby increasing the overall number of subscribers generating revenue on which cable franchise fees are paid. The increase in content choices, described fully in Verizon’s application, that will result from Verizon’s service offerings has the potential to create more purchases in the higher cable tiers, increasing the franchise fee revenue base in this manner as well. *See* Franchise Application, Attachment 3.

Staff has also determined that the grant of a franchise to Verizon will not result in any unreasonable adverse aesthetic impact upon public or private property within Beaumont.

- Verizon is seeking a franchise from the City to provide cable television services over Verizon’s existing FTTP network, once completed. The FTTP network carrying Verizon’s cable television services will be constructed, operated and maintained as an upgrade to and/or extension of Verizon’s existing telecommunications facilities pursuant to authority granted by the State; thus, Verizon is not required to obtain a franchise from the City to construct its FTTP network. Because the facilities used to provide Verizon’s cable television services will be the same facilities used to provide the other services that will be carried by Verizon’s FTTP network, the grant of a cable television franchise to Verizon will have *no* additional adverse aesthetic effect on public or private property.
- During the installation of its FTTP network, Verizon will be working in close coordination with the City’s Public Works and Transportation Departments to minimize disruptions and adverse impacts to our streets, to minimize the number of above-ground housing materials, and to provide routine maintenance, emergency repairs and graffiti removal as required. Where Verizon’s existing network is placed overhead, on existing utility poles, the upgraded network facilities will be placed overhead; where Verizon’s existing network is placed underground, the upgraded network will be placed underground. The construction of Verizon’s FTTP network therefore will not result in significant adverse aesthetic changes to public or private property.

(3) ***Whether there will be an unreasonable disruption or inconvenience to existing users, or any adverse effect on future use, of utility poles, public easements, and the public rights-of-way contrary to the intent of Section 767.5 of the Public Utilities Code.***  
*See* Government Code § 53066.3(a)(3).

Staff has determined that there will not be any unreasonable disruptions or inconvenience to existing cable television users, nor any adverse effects in the areas noted above. Verizon is seeking a franchise from the City to provide cable television services over Verizon's existing FTTP network, once completed. Because the facilities used to provide Verizon's cable television services will be the same facilities used to provide the other services that will be carried by Verizon's FTTP network, consistent with Section 767.5 of the Public Utilities Code, the grant of a cable television franchise to Verizon will cause *no* additional disruptions or inconvenience to existing users, nor any adverse effects on the future use of utility poles, public easements or public rights-of-way.

- (4) ***Whether the franchise applicant has the technical and financial ability to perform; see Government Code 53066.3(a)(4); giving due consideration to the experience, character, background and financial responsibility of the applicant, its management and owners; see Municipal Code § 5.36.230.***

Based upon the information set forth in its application, staff has concluded that Verizon has demonstrated the financial, technical and legal qualifications and the ability to provide cable television service in Beaumont. See Franchise Application, Attachments 1, 2.

- (5) ***Whether there is any impact on the franchising authority's interest in having universal cable service. See Government Code 53066.3(a)(5).***

The grant of a nonexclusive cable television franchise to Verizon will have a positive impact on the City's interest in universal cable service. Providing the residents of Beaumont a choice of providers will have a significant positive impact on the City's desire in promoting universal cable service.

- (6) ***Whether other societal interests generally considered by franchising authorities will be met. See Government Code § 53066.3(a)(6).***

Staff finds that the grant of a nonexclusive franchise to Verizon will meet a variety of societal interests generally considered by franchising authorities. These include: the City's interest in enhancing civic awareness and community participation through the provision of educational, and governmental access channels on Verizon's system; the City's interest in community connectivity through Verizon's provision of cable television service to city, school district and community facilities; the City's interest in generating additional revenue through the payment of annual franchise fees from Verizon; and the City's interest in continuing economic development in the community, as Verizon's state-of-the-art service offerings and network will add to the value and attractiveness of local residential and business development efforts. Finally, providing our residents with a choice of cable television providers will also enhance societal interests in our community by bringing the benefits of competition in the provision of cable television services to the City.

- (7) ***Whether the operation of an additional cable television system in the community is economically feasible. See Government Code § 53066.3(a)(7).***

Staff has found that it is economically feasible for the community to support a competitive cable television service provider. Beaumont is one of the fastest growing communities in the Inland Empire. With a current population of about 16,000, the City is attracting a host of newcomers, eager to put down roots in a community that boasts affordable, attractive, new family housing; exciting recreational facilities; highly rated schools; beautiful city parks; easy access to major transportation routes; and convenient access to Los Angeles, San Diego, and Southern California's mountains and beaches.

As indicated in Verizon's application, Verizon intends to bring our residents a choice of cable television service providers by offering a state-of-the-art, innovative video service product that will be feature rich and fully competitive with the existing cable television offerings in the City. The major components of the Verizon's service offering will include: analog, digital and premium channel tiers, including local and Education and Government ("EG") channels, pay per view ("PPV") events and movies, a wide variety of high definition television ("HDTV") channels, digital music channels, digital video recorder ("DVR") set-top boxes, and an innovative interactive programming guide. Staff has found that Verizon has a good faith basis to believe that its service offering will be attractive to consumers, and that it will be thus economically feasible for Verizon to provide cable television service in Beaumont. In addition, the manner in which Verizon is installing the FTTP network over which its cable television service will be delivered – as an upgrade to its existing telecommunications network that will also carry voice and data services – means that minimal additional capital expenditures are needed to allow Verizon to support its cable television service offering.

Given the growth in the community and the innovative nature of Verizon's video service offering, staff has found that, viewed from any perspective, providing Beaumont residents with a choice in video service providers is economically feasible.

**(8) *Such other additional matters, both procedural and substantive, as the franchising authority may determine to be relevant.*** See Government Code § 53066.3(a)(8).

(a) PEG Requirements. See Government Code § 53066.3(d); Municipal Code §§ 5.36.340-.355.

Government Code § 53066.3 also requires the City to ensure that competitive franchise agreements contain the same public, educational, and governmental (PEG) access requirements that are set forth in the existing franchises. Sections 5.36.340-.355 of the Municipal Code set forth certain particulars with respect to the provision of PEG channels (e.g., provision of the channels on the lowest programming tier).

Staff negotiated the proposed Franchise Agreement to require Verizon to provide adequate PEG access capacity and support comparable to the requirements set forth in the City's existing cable television franchises, as required by Government Code § 53066.3(d). The proposed Franchise Agreement, like the City's existing cable television franchise agreements, requires Verizon to provide one (1) dedicated educational access channel and one (1) dedicated governmental access channel. Consistent with Section 5.36.355 of the Municipal Code, Verizon is required to interconnect with the existing cable operators in Beaumont for the carriage of the educational and governmental access programming on these channels.

Staff has determined that the proposed cable Franchise Agreement's terms fully ensure that Verizon provides adequate PEG access channel capacity, facilities and financial support and that Verizon's obligations in this area are comparable to those contained in the City's existing cable television franchise agreements. Staff also has concluded that the proposed Franchise Agreement meets all of the PEG requirements set forth in the Municipal Code.

(b) Non-Discrimination Requirements. See Government Code § 53066.3(d); 47 U.S.C. § 541(a)(3).

Government Code § 53066.3(d) further requires the City to ensure that competitive franchise agreements meet certain non-discrimination requirements. In the same manner, federal law, Section 621 of the Communications Act, 47 U.S.C. § 541(a)(3), requires that a cable television franchise "assure that access to cable service is not denied to any group of potential residential cable subscribers because of the income of the residents of the local area in which such group resides."

Staff concludes that the proposed Franchise Agreement with Verizon complies with the requirements set forth in Section 53066.3(d) and 47 U.S.C. § 541(a)(3). Staff negotiated the proposed Franchise Agreement to require Verizon to provide cable service to "all residential areas" of its Service Area within 12 months of the effective date of the Franchise Agreement. See proposed Franchise Agreement § 3.1.1. Verizon's Service Area covers all of the inhabited (residential) areas of the City. In addition, the proposed franchise agreement explicitly states that "Franchisee shall not discriminate between or among any individuals in the availability of Cable Service." See *id.* § 3.2. These provisions ensure compliance with Section 53066.3(d).

Given these obligations, staff has found that, to the extent that Verizon's Service Area includes a geographic area in which a franchise has already been granted and where an existing cable television operator is providing service, Verizon is required to make its cable television service available uniformly throughout such area within a reasonable time and in a sequence which does not discriminate against lower income or minority residents. While no reported case law interprets Section 53066.3(d)'s nondiscrimination provision, the one California appellate case to consider Section 53066.3(d)'s nondiscrimination requirement fully confirms staff's conclusion. *Sacramento Cable Television v. Sacramento Metropolitan Cable Television Comm'n*, Nos. 3 Civ. C018475, C018900 (Cal. App. 3d Aug. 25, 1995) (holding that Section 53066.3(d) requires a competitive cable television provider to make its cable television service available uniformly throughout the territory it seeks to serve and does not require the provision of cable television service to the entirety of the incumbent cable television provider's service area).

(c) The Quality of the Service Proposed. See Municipal Code § 5.36.230.

While franchising authorities generally may not regulate the programming services provided by cable operators, and are prohibited from imposing requirements regarding the provision or content of cable services (see 47 U.S.C. § 544(a), (b), (f)(1)), the City does have an interest in understanding Verizon's plans for service.

As set forth in its Application (*see* Attachment 3 thereto), Verizon plans initially to offer Broadcast Television, High Definition TV (HDTV), Personal Video Recorders (PVR), Interactive Programming Guide (IPG), and Pay Per View (PPV) Movies and Events. The Broadcast Television offering will consist of both analog and digital channels. The analog tier will be carried "in the clear" (i.e. will not require the use of a set-top-box for receipt of service) and will include local, public/educational/government (PEG) where appropriate, and select cable channels. The digital channel line-up will duplicate the analog line-up (so called "dual carry") and will include additional cable channels, premium cable channels, digital music channels, an interactive program guide (IPG), HDTV programming and PPV programming. For digital tiers, a set top box (STB) will be required for receipt of service. Verizon plans to provide one STB with the initial purchase of a digital service. Customers will be offered the option to upgrade STBs to include support for HDTV, a PVR, or both. A full listing of Verizon's proposed channel line up in Beaumont is included in Attachment 4 to Verizon's Application.

Buttressing Verizon's exceptional service plans, staff has negotiated extensive customer service requirements, including requirements regarding telephone availability for customer inquiries, billing, installation and service calls, complaint procedures, and communications with subscribers. *See* Proposed Franchise Agreement § 8.

After review of Verizon's service plans, proposed programming line-up, customer service requirements and particularly in light of the future capabilities provided by the FTTP Network, staff concludes that Verizon may be expected to provide outstanding service quality to the residents of Beaumont who choose its cable service.

- (d) Rates to Subscribers. *See* Municipal Code § 5.36.230; 47 U.S.C. § 543; 47 C.F.R. §76.900 *et seq.*

As part of the 1996 amendments to the Communications Act, local communities must be certified by the FCC to regulate cable rates, may regulate only rates for the basic service tier and only for cable operators that are not subject to "effective competition" as defined under the Act. The City's authority to regulate rates of upper programming tiers (or so-called cable programming service tiers) sunset in 1999. 47 U.S.C. § 543(c)(4).

As a new competitive entrant into the cable market, Verizon is, by definition, subject to "effective competition." *See* 47 U.S.C. §543(l). As such, the City may not regulate Verizon's cable rates. Nonetheless, Verizon has committed that its "FTTP Consumer Video Service will be feature rich and fully competitive with the existing cable offerings in the market." Franchise Application, Attachment 3.

- (e) System Design and Technical and Performance Quality of the Equipment. *See* Municipal Code § 5.36.230.

Pursuant to federal law, franchising authorities may not regulate the "facilities, and equipment provided by a cable operator" except as specifically permitted by Title VI of the Communications Act. 47 U.S.C. § 544(a). Nonetheless, the City has an interest in understanding the system planned by Verizon to offer its cable service. Verizon's therefore has

set forth an extensive explanation of its planned system architecture. *See* Franchise Application, Attachment 3; *see also* Proposed Franchise Agreement § 5.

- (f) Willingness and Ability of the Applicant to Meet Construction Requirements and Abide by Franchise Limitations and Requirements. *See* Municipal Code § 5.36.230; Public Utilities Code § 7901; General Administrative Order 95; 47 U.S.C. § 552(a)(2).

Verizon's FTTP Network is being constructed as a Telecommunications Facility pursuant to Title II of the Communications Act, its Certificate of Public Convenience and necessity issued by the California Public Utilities Commission, Section 7901 of the Public Utilities Code and General Administrative Order 95. As such, Verizon has an existing authority apart from the proposed cable television franchise to construct the FTTP Network. Therefore, the proposed Franchise Agreement recognizes that the City does not, and can not, regulate Verizon's Telecommunications Facilities except to the extent specifically permitted by federal and state law. *See* Proposed Franchise Agreement §§ 2.2, 4.

- (g) Lack of Material Differences Between Proposed Franchise Agreement and Existing Franchise Agreements. *See* Adelphia cable franchise § 11.3.

The proposed Franchise Agreement contains a number of significant provisions (outlined above under "Major Provisions") that staff has determined are relevant to Verizon's provision of cable television services in the City. In addition, staff has determined that the material provisions of the proposed cable television franchise agreement between Verizon and the City are reasonably comparable to the provisions contained in the franchise that the City has previously granted to Adelphia (formerly, the TCI Cablevision of California franchise), and does not provide Verizon with an unfair competitive advantage. In addition, staff finds that the proposed Franchise Agreement with Verizon does not deprive any party of equal protection under the law.

The contractual language in the Adelphia franchise is similar to the language of so-called "cable level playing field" statutes in a number of states. These statutes generally require that an additional franchise cannot be granted on terms "more favorable or less burdensome" than those in an existing franchise. In interpreting this language, there is an extensive body of case law which makes clear that such language does not require that the terms of an additional franchise to be identical to those of an incumbent's franchise. *See, e.g., New England Cable Television Assn. v. Dept. of Pub. Util. Control*, 717 A.2d 1276, 1287 (Conn. Sup. Ct. 1998) (PUC which granted statewide franchise to competitor not required to make term-by-term or franchise-by-franchise comparisons; rather "it is the totality of the terms that controls the determination of whether one certificate is more favorable than another"); *United Cable Television Service Corp. v. Dep't of Public Utility Control*, 663 A.2d 1011, 1025 (Conn. Sup. Ct. 1995) (level playing field inquiry "requires consideration of the entire package of terms and conditions required of both cable providers in order adequately to determine whether has been favored over the other"); *Insight Communications Co., L.P. v. City of Louisville*, 2003 WL 21473455 (Ky. App. June 27, 2003) (granting the city's summary judgment motion against incumbent, stating that "there will never be an apple-to-apple comparison for Insight and other franchisee simply because Insight is the incumbent ... No new cable television franchisee can ever be in the same position as a thirty-

year veteran.” Differential franchise terms included: 15 year term for new entrant versus 12 year term for incumbent; new entrant granted 54 months to construct system versus incumbent’s 15 month rebuild requirement; new system allowed to construct in one part of city at a time versus incumbent required to do “simultaneous [re]build”; city’s sole remedy against new entrant if construction deadlines not met is monetary penalty versus incumbent subject to franchise revocation etc.); *Southeast Florida Cable d/b/a Adelphia Cable Comm. v. Martin County*, No. 94-14209 (S.D.Fla. 1995) (new entrant’s franchise, which required buildout of its franchise area within same timeframe as incumbent pursuant to local ordinance—90% of franchise within 2 years—met requirement of Florida level playing field statute even though new entrant’s franchise area only a fraction of incumbent’s franchise area).

Though staff does not believe that there are any “material” differences between the proposed Franchise Agreement and Adelphia’s existing franchise, within the meaning of Section 11.3 of the Adelphia franchise, to the extent (if any) that any differences were deemed “material,” they are fully justified by the distinguishing features between the two providers. Specifically, while Verizon will provide cable television service to Beaumont residents over its state-of-the art FTTP network, Adelphia provides cable television service over an ordinary hybrid fiber-coaxial (HFC). Moreover, Adelphia’s network was constructed as a stand-alone cable system, rather than as Telecommunications Facilities as in the case of Verizon. Unlike Adelphia’s network, the City’s regulatory authority under Title VI of the Communications Act of 1934 does not extend to the construction, installation, maintenance or operation of Verizon’s FTTP Network to the extent the FTTP Network is being constructed, installed, maintained and operated for the purpose of upgrading and/or extending Verizon’s existing telecommunications facilities for the provision of non-cable television services. *See* Proposed Franchise Agreement §§ 2.2, 4.

### **Conclusion:**

Based on evidence presented to staff, we have concluded that granting a nonexclusive franchise to provide cable television services to Verizon is in the public interest, and recommend that the City Council approve and authorize the City Manager to execute the proposed Franchise Agreement. Negotiations between Verizon and the City have resulted in an agreement that contains a number of provisions designed to protect the best interests of the City and its residents, and approval of the franchise agreement will bring substantial economic and developmental benefits to our City, and will be a significant step towards recognizing a variety of the benefits that cable television competition can bring to the City and its residents.

Respectfully submitted,

Alan Kapanicas, City Manager



Resolution 2004-\_\_\_\_

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BEAUMONT, CALIFORNIA,  
GRANTING A NON-EXCLUSIVE FRANCHISE TO PROVIDE CABLE SERVICE TO  
VERIZON CALIFORNIA INC.

WHEREAS, the City of Beaumont is a "Franchising Authority" as defined by Title VI of the Communications Act (*see* 47 U.S.C. §522(10)) and is authorized to grant one or more nonexclusive cable franchises pursuant to California Government Code § 53066 and Chapter 5.36 of the Beaumont Municipal Code;

WHEREAS, Verizon California Inc. ("Franchisee") is in the process of installing a Fiber to the Premise Telecommunications Network ("FTTP Network") that will occupy the Public Rights-of-Way within the City of Beaumont for the transmission of non-cable services pursuant to its status as a telecommunications carrier as set forth in Title II of the Communications Act and under authority granted by the State of California;

WHEREAS, the FTTP Network, once installed, will enable the provision of cable service to the residents of Beaumont;

WHEREAS, negotiations between the Franchising Authority and the Franchisee have resulted in an agreement entitled "An Agreement Between the City of Beaumont, California and Verizon California, Inc., Granting Nonexclusive Rights to Operate and Provide Cable Services Within the City of Beaumont, California and Setting Forth Terms and Conditions Relating to the Exercise of Those Rights" ("Franchise Agreement"), which agreement comports with the requirements of Section 5.36.227 of the Municipal Code;

WHEREAS, on October \_\_, 2004, Franchisee properly filed a cable television franchise application pursuant to Section 5.36.220 of the Municipal Code and paid the fee required by Section 5.36.225 of the Municipal Code;

WHEREAS, notice of public hearing before the City Council to consider the proposed cable franchise agreement was properly published in the Record Gazette on October 15 and 22, 2004 in accordance with California Government Code §§ 6066 and 53066.3(a);

WHEREAS, the Franchising Authority's staff has reviewed the legal, technical and financial qualifications of the Franchisee to operate and provide cable service within the City and prepared a Staff Report dated October \_\_, 2004 ("Staff Report") setting forth those qualifications, the future cable-related needs and interests of the City of Beaumont and its residents, and examining each of the requirements and criteria set forth by federal, state and local law with respect to granting an additional cable television franchise, as well as any applicable provisions in existing franchises; and

WHEREAS, following thorough evaluation of Franchisee's application to provide cable service in Beaumont, California, after receiving the comments of interested parties at a public hearing affording due process to all parties, in deliberation of the entire record regarding this matter before it, including other pertinent information, and specifically considering each of the requirements and criteria enumerated in California Government Code § 53066.3(a), Beaumont

Municipal Code chapter 5.36, 47 U.S.C. § 541(a), and all other applicable provisions of law, as well as any applicable provisions in existing franchises, the Franchising Authority determines that is in the public interest to approve the proposed cable television franchise agreement and authorize and direct the execution of the proposed Franchise Agreement.

NOW, THEREFORE, THE CITY COUNCIL RESOLVES AS FOLLOWS:

SECTION 1: The Franchising Authority concludes that the cable-related needs and interests of the City of Beaumont, California and the Franchisee's legal, technical, and financial qualifications to operate and provide cable service within the City are accurately identified by the attached Staff Report, which is hereby adopted by the Franchising Authority in its entirety as its ascertainment of the cable-related needs and interests of the City, the Franchisee's qualifications to operate and provide cable service within the City, and supporting the Franchising Authority's consideration of each of the requirements and criteria enumerated in California Government Code § 53066.3(a), Beaumont Municipal Code chapter 5.36, 47 U.S.C. § 541(a), all other applicable provisions of law, as well as any applicable provisions in existing franchises.

SECTION 2: The Franchising Authority determines that is in the public interest to grant a nonexclusive franchise to operate and provide cable service to Verizon California Inc. and evidencing its consideration of each of the factors enumerated in California Government Code § 53066.3(a), Beaumont Municipal Code chapter 5.36, 47 U.S.C. § 541(a)(3), all other applicable provisions of law, as well as any applicable provisions in existing franchises, hereby adopts the attached Findings of Fact in support of this determination.

SECTION 3: The Franchising Authority authorizes the grant of a nonexclusive franchise to the Franchisee to operate and provide cable service within the City. This authorization is made in accordance with the applicable provisions of Chapter 5.36 of the Beaumont Municipal Code, California Government Code § 53066.3 and Title VI of the Communications Act. A copy of the Franchise Agreement in the form set forth with Franchisee's application and presented to public hearing on November 2, 2004, is directed to be retained in the office of the City Clerk for the purpose of public inspection.

SECTION 4: That certain Franchise Agreement in the form set forth with Franchisee's application and presented to the City Council at this public hearing is approved, and the City Manager is authorized and directed to execute that agreement on behalf of the Franchising Authority following its execution by the Franchisee.

SECTION 5: The Franchise Agreement shall be effective as set forth therein.

SECTION 6: This Resolution shall take effect on the 31st day following its adoption.

MOVED, PASSES, and ADOPTED this 2nd day of November, 2004 by the following vote:

AYES:

NOES:

ABTAIN  
ABSENT:

CITY OF BEAUMONT

By: \_\_\_\_\_  
Mayor of the City of Beaumont

ATTEST:

\_\_\_\_\_  
City Clerk

**By the City Council of  
The City of Beaumont, California  
November 2, 2004**

Following thorough evaluation of Verizon California Inc.'s application to provide cable service in the City of Beaumont, California, after receiving the comments of interested parties at a public hearing affording due process to all parties, in consideration of the entire record regarding this matter before it, including a Staff Report from the City Manager's office dated October 22, 2004, and other pertinent information, and considering each of the factors enumerated in California Government Code § 53066.3(a), Beaumont Municipal Code chapter 5.36, 47 U.S.C. § 541(a)(3), all other applicable provisions of law, as well as any applicable provisions in existing franchises, the City Council of the City of Beaumont, California determines that it is in the public interest to grant a nonexclusive franchise to provide cable service to Verizon California Inc. ("Verizon").

In exercise of its discretion and legislative authority, the City Council makes the following findings in support of this determination:

1. Federal, state and local law, and the interests of the residents of Beaumont favor competition in the provision of multichannel video programming services directly to consumers. By fostering competition, granting Verizon a nonexclusive franchise to provide cable services will have a significant positive impact on Beaumont and will not have any negative impact. *See*, without limitation, Cal. Gov't Code § 53066.3(a)(1); Beaumont Mun. Code §§ 5.36.100, 5.36.212(a)(2).
2. Granting Verizon a nonexclusive franchise to provide cable services will not have an adverse economic impact on Beaumont. *See*, without limitation, Cal. Gov't Code § 53066.3(a)(2); Beaumont Mun. Code §§ 5.36.100, 5.36.212(a)(2). To the contrary, granting Verizon a franchise will bring substantial economic and developmental benefits to Beaumont.
3. Granting Verizon a nonexclusive franchise to provide cable services will not have an adverse aesthetic impact upon the public or private property within Verizon's service area. *See*, without limitation, Cal. Gov't Code § 53066.3(a)(2); Beaumont Mun. Code § 5.36.212(a)(1), (3).
4. There will be no unreasonable disruptions or inconvenience to existing users, nor any adverse effects on the future use of utility poles, public easements or public rights-of-way contrary to the intent of Section 767.5 of the Public Utilities Code resulting from the grant of a franchise to Verizon. *See*, without limitation, Cal. Gov't Code § 53066.3(a)(3); Cal Pub. Util. Code § 767.5; Beaumont Mun. Code § 5.36.212(a)(1), (3).
5. Verizon has demonstrated the financial, technical and legal qualifications and ability to provide cable service in Beaumont. *See*, without limitation, Cal. Gov't Code § 53066.3(a)(4); Beaumont Mun. Code § 5.36.230.
6. Granting Verizon a nonexclusive franchise to provide cable services will not adversely impact the City's interest in having universal cable service or societal interests. *See*, without limitation, Cal. Gov't Code §§ 53066.3(a)(5), (6); Beaumont Mun. Code §§ 5.36.100, 5.36.212(a)(2).

7. Granting a nonexclusive franchise to provide cable services within Verizon's proposed service area is economically feasible. *See*, without limitation, Cal. Gov't Code § 53066.3(a)(7).
8. The Franchise Agreement with Verizon fully complies with the statutory non-discrimination requirements. *See*, without limitation, Cal. Gov't Code § 53066.3(d); 47 U.S.C. § 541(a)(3).
9. The franchise agreement requires Verizon to provide adequate public, educational, and governmental access channel capacity, facilities or financial support. *See*, without limitation, Cal. Gov't Code § 53066.3(d).
10. Verizon's competitive cable service will not deny access to any group of potential residential subscribers because of the income of the residents of the local area in which such group resides. *See*, without limitation, 47 U.S.C. § 541(a)(3); Cal. Gov't Code § 53066.3(d); 47 U.S.C. § 541(a)(3).
11. Verizon's plans for providing cable services in Beaumont meet or exceed the City's cable-related needs and interests. *See*, without limitation, Cal. Gov't Code § 53066.3(a)(8); Beaumont Mun. Code §§ 5.36.100, 5.36.212(a)(2).
12. Granting Verizon a nonexclusive franchise to provide cable services will enhance competition, further the ubiquitous availability of a wide choice of state-of-the-art services and enhance the development and deployment of new technologies, consistent with the policies set forth in Public Utilities Code Section 709. *See*, without limitation, Cal Pub. Util. Code § 709; Cal. Gov't Code § 53066.3(a)(8); Beaumont Mun. Code §§ 5.36.100, 5.36.212(a)(2); *accord* Telecommunications Act of 1996, § 706, Pub. L. No. 104-104, 110 Stat. 153, *reprinted in* 47 U.S.C. § 157 note.
13. The material provisions of the franchise agreement between Verizon and the City are reasonably comparable to the provisions contained in the Franchise Agreement that the City has entered into with Adelphia (formerly TCI Cablevision of California), do not provide Verizon with an unfair competitive advantage, and provide all parties equal protection under the law. *See*, without limitation, TCI Cablevision Agreement, § 11.3; Cal. Gov't Code § 53066.3(d).
14. Granting a nonexclusive franchise to provide cable services to Verizon is in the public interest. *See*, without limitation, Cal. Gov't Code § 53066.3(a)(8); Beaumont Mun. Code §§ 5.36.100, 5.36.212(a)(2).

**BEFORE THE CITY OF BEAUMONT**

**APPLICATION FOR CABLE COMMUNICATIONS FRANCHISE**

**BY: VERIZON CALIFORNIA INC.**

**Section 1: General Information**

Verizon California Inc. ("Verizon", "Applicant", "Grantee" or the "Company") respectfully submits this application ("Application") and requests the award of a cable communications franchise ("Franchise") to serve the City of Beaumont, California ("Beaumont" or the "City").

As required by Section 5.36.220 of the Beaumont Municipal Code, this Application and its attachments are intended to meet the informational requirements of the City and to enable the City Council to make fully informed judgments concerning the adequacy of the proposal and Applicant's qualifications to provide cable service in the City.

## **Section 2: Applicable to All Cable Providers**

- A. Applicant is familiar with the requirements of California Government Code § 53066 and Chapter 5.36 of the Beaumont Municipal Code regarding cable franchise agreement requirements.
- B. Verizon has included in this subsection such information, plans, schedules, statements, *et al.* as are outlined in Beaumont Municipal Code § 5.36.220.
  - 1) Identity of the franchise applicant, including all affiliates of the applicant.

**The franchise applicant is Verizon California Inc. The applicant's parent company is Verizon Communications Inc. A listing of Verizon Communications Inc. affiliates is shown at Attachment 5.**

- 2) A description of the cable services that are or will be offered or provided by the franchise applicant over its existing or proposed facilities.

**Attachment 3 to this Application contains a narrative account of the Verizon proposal for cable communications services in the City. Included with this narrative is the following:**

- 1. Overview of Fiber to the Premises (FTTP) plans
    - 2. Service Overview – Product Offer and Service Delivery
    - 3. FTTP and Service Delivery Architecture
  - 3) A description of the transmission medium that will be used by the Cable Operator to offer or provide such cable services.

**See Attachment 3.**

- 4) Preliminary engineering plans, specifications and a network map of the facilities to be located within the City.

**Verizon is installing its FTTP Network as a common carrier pursuant to Title II of the Communications Act of 1934, as amended, in accordance with its certificate of public convenience and necessity issued by the California Public Utilities Commission, Section 7901 of the California Public Utilities Code and General Administrative Order 95. Accordingly, Verizon is not seeking authority through this Application to construct the FTTP network, but rather is seeking a Franchise to use the FTTP Network, once installed, to operate and provide cable service in the City.**

**The engineering plans, specifications and a network map for the FTTP network will be maintained at the Verizon engineering office**

**located at 1980 Orange Tree Lane in Redlands, CA and will be made available to authorized representatives of the City upon request and subject to confidentiality limitations to be agreed upon by the parties.**

- 5) If applicant is proposing to install overhead facilities, evidence that surplus space is available for locating its cable facilities on existing utility poles along the proposed route.

**Not applicable. Applicant is seeking a Franchise from the City to provide cable service over Applicant's FTTP network, once constructed. During the construction of the FTTP network, Verizon will comply with all relevant federal, state and municipal regulations applicable to its FTTP facilities, including General Administrative Order 95, which governs attachments to utility poles, public easements and public rights-of-way.**

- 6) If applicant is proposing an underground installation in existing ducts or conduits within the public ways, information in sufficient detail to identify:
- a) the excess capacity currently available in such ducts or conduits before installation of applicant's cable facilities;
  - b) the excess capacity, if any, that will exist in such ducts or conduits after installation of applicant's cable facilities;

**Not applicable. See responses provided in Subsections 2.B.4 and 2.B.5.**

- 7) A preliminary construction schedule and completion dates.

**Not applicable. See responses provided in Subsections 2.B.4 and 2.B.5. The schedule for the provisioning of cable service in the proposed service area is forth in Subsection 3.1 of the proposed Franchise Agreement.**

- 8) Financial statements prepared in accordance with generally accepted accounting principles by a certified public accountant or other accountant satisfactory to the City demonstrating the applicant's financial ability to construct, operate, maintain, relocate and remove the facilities. If in the normal course of its business, the applicant does not prepare a separate financial statement for the franchised system, the applicant may submit a combined financial statement for the local region, which statement shall include the franchised system.

**See Attachment 1**



- 9) Information in sufficient detail to establish the applicant's technical qualifications, experience and expertise regarding cable facilities and services described in the application.

**See Attachment 2**

- 10) Information to establish that the applicant has obtained all other governmental approvals and permits to construct and operate the facilities and to offer or provide the cable services.

**Not applicable. As set forth above, Verizon is not seeking authority through this Application to construct the FTTP network, but rather is seeking a Franchise to use the FTTP Network, once constructed, to provide cable service in the City. During the construction of the FTTP network, Verizon will comply with all relevant federal, state and municipal regulations and obtain all necessary governmental approvals and municipal permits applicable to the construction of its FTTP facilities.**

- 11) A detailed description of all telecommunications services that the applicant intends to provide and sufficient information to determine whether such services are subject to franchising.

**Not applicable. Although Verizon will provide telecommunications services using the FTTP network, Verizon has authority to provide such services by virtue of rights granted by California and federal law. Specifically, Verizon has the right to provide telecommunications services as a common carrier pursuant to Title II of the Communications Act of 1934, as amended, and in accordance with its certificate of public convenience and necessity issued by the California Public Utilities Commission, Section 7901 of the California Public Utilities Code, and General Administrative Order 95. Telecommunications services provided pursuant to federal and state authority are not subject to local cable franchising requirements, and revenues from telecommunications services are not subject to local cable franchise fees. See, without limitation, 47 U.S.C. §§ 541(b)(3)(A)(i), 542(b).**

- 12) An accurate map showing the location of any existing cable facilities in the City that applicant intends to use or lease.

**Applicant will provide cable service over its FTTP network, once constructed, and does not intend to use or lease any existing cable facilities to provide cable service. *Provided, however,* that Applicant will seek to enter into interconnection agreements with the existing cable franchisees serving the City in order to facilitate the provision of**

**educational and governmental channels to subscribers in accordance with Subsection 6.1.3 of the proposed Franchise Agreement.**

- 13) A description of the services or facilities that the applicant will offer or make available to the City and other public, educational and governmental institutions.

**As set forth in Subsection 3.3 and Exhibit B of the proposed Franchise Agreement, Applicant shall provide, without charge within the Service Area, one service outlet activated for Basic Service to each fire station, public school, police station, public library, and such other buildings used for municipal purposes as may be designated by the LFA.**

- 14) A description of the applicant's access and line extension policies.

**As set forth in Subsection 3.1 of the proposed Franchise Agreement, Applicant shall make Cable Services available to residential dwelling units in all areas of the Service Area where the average density is equal to or greater than 20 occupied residential dwelling units per mile as measured in strand footage from the nearest technically feasible point on the active FTTP Network trunk or feeder line. As set forth in Subsection 3.2 of the proposed Franchise Agreement, in the areas in which Applicant shall provide Cable Service, Applicant shall be required to connect, at Applicant's expense, all residential dwelling units that are within one hundred twenty five (125) feet of trunk or feeder lines not otherwise already served by Applicant's FTTP Network.**

- 15) The area or areas of the City the applicant desires to serve.

**The area of the City the applicant desires to serve is set forth in Exhibit A of the proposed Franchise Agreement submitted to the City.**

- 16) The number of activated, programmed channels that the applicant intends to provide together with the programming that the applicant intends to provide.

**See Attachment 4**

- 17) All fees, deposits, or charges required pursuant to Section 5.36.160, 5.36.225, and the City's Planning and Building Departments.

**All fees, deposits, or charges required pursuant to Section 5.36.160, 5.36.225 are being submitted with this Application.**

**Attachment 1**  
**Financial qualifications**

## Verizon California Inc.

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Dollars in Millions) (Unaudited)	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
<b>Operating Revenues</b> (including \$98.0, \$80.8, \$188.6 and \$152.8 from affiliates)	\$791.7	\$803.2	\$1,592.6	\$1,600.6
<b>Operating Expenses</b> (including \$137.2, \$137.7, \$272.9 and \$258.7 to affiliates)				
Cost of services and sales (exclusive of items shown below)	217.7	222.5	428.6	449.6
Selling, general and administrative expense	150.9	187.4	394.6	365.8
Depreciation expense	150.5	141.4	298.2	284.5
<b>Total Operating Expenses</b>	<u>519.1</u>	<u>551.3</u>	<u>1,121.4</u>	<u>1,099.9</u>
<b>Operating Income</b>	272.6	251.9	471.2	500.7
Other income and (expense), net (including \$1, \$1.3, \$1.1 and \$1.4 from affiliates)	(11.9)	1.3	(11.5)	1.8
Interest expense (including \$4.4, \$4, \$8.1 and \$3.3 to affiliates)	<u>(25.9)</u>	<u>(32.4)</u>	<u>(57.7)</u>	<u>(60.5)</u>
<b>Income Before Provision for Income Taxes and Cumulative Effect of Accounting Change</b>	234.8	220.8	402.0	442.0
Provision for income taxes	<u>(39.0)</u>	<u>(89.7)</u>	<u>(106.0)</u>	<u>(179.6)</u>
<b>Income Before Cumulative Effect of Accounting Change</b>	195.8	131.1	296.0	262.4
Cumulative effect of accounting change, net of tax	<u>---</u>	<u>---</u>	<u>---</u>	<u>154.1</u>
<b>Net Income</b>	<u>\$195.8</u>	<u>\$131.1</u>	<u>\$ 296.0</u>	<u>\$ 416.5</u>

See Notes to Condensed Consolidated Financial Statements.

Verizon California Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

(Dollars in Millions) (Unaudited)

June 30, 2004 December 31, 2003

Current assets		
Cash	\$ .1	\$ .1
Short-term investments	62.0	123.9
Note receivable from affiliate	25.7	37.0
Accounts receivable:		
Trade and other, net of allowances of \$64.7 and \$88.4	455.5	499.2
Affiliates	44.5	50.6
Materials and supplies	79.4	52.5
Deferred income taxes	76.7	111.4
Other	100.5	109.5
Total current assets	844.4	984.2
Plant, property and equipment	11,797.8	11,673.0
Less accumulated depreciation	7,919.7	7,708.4
	3,878.1	3,964.6
Prepaid pension asset	2,152.4	2,158.4
Other assets	164.2	169.4
Total assets	\$ 7,039.1	\$ 7,276.6

See Notes to Condensed Consolidated Financial Statements.

Verizon California Inc.

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**LIABILITIES AND SHAREOWNER'S INVESTMENT**

(Dollars in Millions) (Unaudited)	June 30, 2004	December 31, 2003
Current liabilities		
Debt maturing within one year:		
Notes payable to affiliates	\$1,452.3	\$1,104.4
Other	2.5	252.5
Accounts payable and accrued liabilities:		
Affiliates	142.9	319.0
Other	267.9	283.2
Other current liabilities	289.3	290.8
Total current liabilities	<u>2,154.9</u>	<u>2,249.9</u>
Long-term debt	1,155.4	1,405.2
Employee benefit obligations	394.9	359.2
Deferred credits and other liabilities		
Deferred income taxes	1,291.3	1,351.4
Unamortized investment tax credits	---	.1
Other liabilities	150.1	154.3
	<u>1,441.4</u>	<u>1,505.8</u>
Shareowner's investment		
Common stock - one share, without par value	1,400.0	1,400.0
Contributed capital	337.4	337.4
Reinvested earnings	155.1	19.1
Total shareowner's investment	<u>1,892.5</u>	<u>1,756.5</u>
Total liabilities and shareowner's investment	<u>\$7,039.1</u>	<u>\$7,276.6</u>

See Notes to Condensed Consolidated Financial Statements.

Verizon California Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Millions) (Unaudited)	Six Months Ended June 30,	
	2004	2003
Net Cash Provided by Operating Activities	\$ 450.4	\$ 464.0
<b>Cash Flows from Investing Activities</b>		
Capital expenditures (including capitalized software)	(212.0)	(169.6)
Net change in short-term investments	61.9	69.3
Change in note receivable from affiliate	11.3	(282.4)
Other, net	.5	.6
Net cash used in investing activities	(138.3)	(382.1)
<b>Cash Flows from Financing Activities</b>		
Early extinguishment of debt	(250.0)	---
Repayment of borrowings	(250.0)	---
Change in notes payable to affiliates	347.9	310.6
Dividends paid	(160.0)	(394.3)
Net change in outstanding checks drawn on controlled disbursement accounts	---	(.2)
Net cash used in financing activities	(312.1)	(83.9)
Net change in cash	---	(2.0)
Cash, beginning of period	.1	2.1
Cash, end of period	\$ .1	\$ .1

See Notes to Condensed Consolidated Financial Statements.

Verizon California Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Basis of Presentation

Verizon California Inc. is a wholly owned subsidiary of GTE Corporation (GTE), which is a wholly owned subsidiary of Verizon Communications Inc. (Verizon). The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. These financial statements reflect all adjustments that are necessary for a fair presentation of results of operations and financial position for the interim periods shown including normal recurring accruals. The results for the interim periods are not necessarily indicative of results for the full year. The balance sheet at December 31, 2003 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For a more complete discussion of significant accounting policies and certain other information, you should refer to our 2003 audited financial statements.

2. Accounting Change

We adopted Statement of Financial Accounting Standards (SFAS) No. 143, "Accounting for Asset Retirement Obligations" on January 1, 2003. SFAS No. 143 requires that companies recognize the fair value of a liability for asset retirement obligations in the period in which the obligations are incurred and capitalize that amount as part of the book value of the long-lived asset. We determined that we do not have a material legal obligation to remove long-lived assets as described by this statement. However, prior to the adoption of SFAS No. 143, we included estimated removal costs in our group depreciation models. Consequently, in connection with the initial adoption of this standard on January 1, 2003, we have reversed accrued costs of removal in excess of salvage from our accumulated depreciation accounts for these assets. The adjustment was recorded as a cumulative effect of an accounting change, resulting in the recognition of a gain of \$259.8 million (\$154.1 million after-tax).

3. Strategic Actions

*Severance, Pension and Benefit Charges*

During the first and second quarters of 2004, we recorded pretax pension settlement losses of \$74.4 million and \$6.7 million, respectively. These settlement losses related to employees that received lump-sum distributions during the quarter in connection with the previously announced voluntary separation plan in the fourth quarter of 2003. These charges were recorded in accordance with SFAS No. 88 "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" which requires that settlement losses be recorded once prescribed payment thresholds have been reached.

During the three and six months ended June 30, 2004, we paid severance benefits of \$3 million and of \$48.9 million, respectively. At June 30, 2004, we had a remaining severance liability of \$18.4 million, which includes future contractual payments to employees separated as of June 30, 2004.

In the second quarter of 2003 we recorded pretax special charges of \$.8 million primarily associated with pension and retirement benefit enhancements and \$13.2 million primarily associated with employee severance costs in connection with the voluntary separation of employees.

*Other Special Items*

In the second quarter of 2004, we recorded a pretax expense credit of \$21.1 million resulting from the favorable resolution of pre-bankruptcy amounts due from MCI. Previously reached settlement agreements became fully effective when MCI emerged from bankruptcy proceedings in the second quarter of 2004.

During the second quarter of 2004, we called the entire outstanding principal amount of our \$250.0 million 8.07% debentures, due April 15, 2024. The debentures were redeemed on May 4, 2004 and resulted in a pretax charge of \$12.2 million to results of operations.



**Verizon California Inc.**

**4. Note Receivable from Affiliate**

The Financial Services Agreement between GTE Funding Incorporated (GTE Funding) and us specifies that we are permitted to borrow or advance funds on a day-to-day (demand) basis to finance our ordinary business and capital requirements. Since these borrowings and advances are based on a variable interest rate and demand note basis, the carrying value of the note approximates its fair market value. As of June 30, 2004, and December 31, 2003, we had a note receivable from GTE Funding for \$25.7 million and \$37.0 million, respectively.

**5. Shareowner's Investment**

(Dollars in Millions)	Common Stock	Contributed Capital	Reinvested Earnings
Balance at December 31, 2003	\$ 1,400.0	\$ 337.4	\$ 19.1
Net income			296.0
Dividends declared			(160.0)
Balance at June 30, 2004	\$ 1,400.0	\$ 337.4	\$155.1

Net income and comprehensive income were the same for the three and six months ended June 30, 2004 and 2003.

**6. Commitments and Contingencies**

Various legal actions and regulatory proceedings are pending to which we are a party and claims which, if asserted, may lead to other legal actions. We have established reserves for specific liabilities in connection with regulatory and legal matters that we currently deem to be probable and estimable. We do not expect that the ultimate resolution of pending regulatory and legal matters in future periods will have a material effect on our financial condition, but it could have a material effect on our results of operations.

From time to time, state regulatory decisions require us to assure customers that we will provide a level of service performance that falls within prescribed parameters. There are penalties associated with failing to meet those service parameters and we, from time to time, pay such penalties. We do not expect these penalties to have a material effect on our financial condition, but they could have a material effect on our results of operations.

**7. Subsequent Event**

On August 2, 2004, we declared and paid a dividend in the amount of \$145.0 million to our parent, GTE.

## **Attachment 2**

### **Technical Qualifications and Experience**

The Applicant's parent entity, Verizon Communications, Inc. has provided telecommunications services through various subsidiaries to residential and business customers for over 100 years. In California, the Applicant provides voice and data capabilities that are unparalleled. Verizon California Inc. provides approximately 4.5 million access lines in California in over 350 cities in both urban and rural areas.

In addition to its network experience, the Applicant has gained vast experience and expertise regarding the provision of cable service through its affiliation with GTE Media Ventures Inc. Former employees of these companies have extensive historical knowledge based on the prior provisioning of video services to other communities. This knowledge is being applied to the Applicant's current cable service provisioning efforts.

Fiber to the Premises (FTTP) is a key Verizon corporate initiative to provide voice, video and very high speed data services. The FTTP network is being constructed as a Title II telecommunications network; unquestionably, Verizon has vast experience and expertise in constructing and maintaining telecommunications networks. Because the cable service that Verizon plans to provide will be offered over this FTTP network, Verizon's expertise in telecommunications is directly relevant to its provision of cable service and establishes its qualifications to provide such service.

Verizon will utilize its unmatched expertise to build and maintain its network, provision cable service, and provide superior customer service to its customers. Key objectives of the FTTP initiative include, but are not limited to, the delivery of higher customer satisfaction, superior performance (network, applications and technical support), and an installation process that surpasses the cable and DBS experience today.

Verizon's commitment to top quality service is well known. Verizon is the pre-eminent service provider in the communications industry. Its legacy of customer service -- bolstered by the nation's largest and most reliable network -- is unparalleled.

Verizon and its communications affiliates have more than 200,000 employees dedicated to customer service: service technicians, call-center representatives and operators. Verizon continually provides training for its employees, especially in the area of new technologies and new ways to help customers. During 2003 alone, overall Verizon employees received over 3.3 million hours of training.

Verizon provides services to its customers that are better than the industry standard, according to the University of Michigan's American Customer Satisfaction Index (ACSI). Verizon's 2004 ACSI score of 73 is above the overall score of 71 for wireline telecommunications providers, as well as the overall cable industry score of 61 (June 2004).

### **Attachment 3**

#### **Proposed Service Overview, Product Offers and Architecture**

- Overview of Fiber to the Premises (FTTP) Deployment
- Service Overview
  - Product Offer
  - Service Delivery/Connection Method
- FTTP System Architecture
  - End-to-End Architecture
  - Wide Area Transport

#### **Overview of Fiber To The Premises (FTTP) Deployment**

Fiber to the Premises (FTTP) is a key Verizon corporate initiative to provide voice, video and very high speed data services. FTTP uses fiber-optic cable and optical electronics to directly link homes and many businesses to the Verizon network. The fiber network being deployed can support video and, where appropriate, Verizon will seek to provide cable service to customers. Key objectives include, but are not limited to, the delivery of higher customer satisfaction, superior performance (network, applications & technical support), and an installation process that surpasses the Cable, DBS and DSL experience today.

- Verizon communications companies will be deploying FTTP in nine states in 2004. By the end of 2004, Verizon expects to pass 1M homes. In 2005, Verizon expects to pass at least an additional 2M homes.
- Video services deployment will be a subset that is ancillary to the voice and data FTTP construction. Select FTTP-enabled wire centers will be deployed for cable service in the first instance.

#### **Service Overview**

The FTTP Network will enable provision of a feature rich and fully competitive video offering. The major components of the video services which Verizon will offer to consumers will include:

- Analog channel tier, including local and Education and Government (EG) channels as requested by the City and set forth in Section 6.1 of the proposed Franchise Agreement
- Digital channel tiers
- Premium channel tiers

- Pay Per View (PPV)
- HDTV channels
- Digital music channels
- Digital Video Recorder (DVR)
- Interactive programming guide (IPG)
- Inside coax cable wire installation

### **Product Offers**

For Consumer customers, Verizon will initially offer Broadcast Television, High Definition TV (HDTV), Personal Video Recorders (PVR), Interactive Programming Guide (IPG), and Pay Per View (PPV) Movies and Events. The Broadcast Television offering will consist of both analog and digital channels. The analog tier will be carried "in the clear" (i.e. will not require the use of a set-top-box for receipt of service) and will include local, educational/government (EG) channels and select cable channels. The digital channel line-up will duplicate the analog line-up (so called "dual carry") and will include additional cable channels, premium cable channels, digital music channels, an interactive program guide (IPG), HDTV programming and PPV programming. For digital tiers, a set top box (STB) will be required for receipt of service. One STB will be provided with the initial purchase of a digital service. Monthly recurring fees will be charged for additional STBs provisioned to the customer. The customer will be offered the option to upgrade STBs to include support for HDTV, a PVR, or both for additional monthly fees. A listing of Verizon's proposed channel line up in Beaumont is included in this Application as Attachment 4. Verizon will notify the City of the final channel line-up prior to service offering.

In addition to organizing and informing the customer of the programming line-up, the IPG will support on-screen program control, parental controls, timers, search, and ordering of PPV services. Pay Per View allows subscribers to pay for and watch prescheduled programming events on an on-demand basis. PPV movies or events will be selected from the IPG. Authorization for billing will occur at the time of purchase. Events begin at pre-scheduled intervals (i.e., programming is not immediately available). Customers will purchase PPV either as discrete events or in pre-defined packages.

### **Service Delivery/Connection Method**

#### Connection Method: Analog

At initial deployment, an installation and maintenance (I&M) technician will connect the Optical Network Terminal (ONT) to a central point of demarcation where a video I & M technician will make final connections to provide the video service. After the installation of the ONT, a video field technician will test the existing in-home coaxial cable to determine if it is technically acceptable and will connect the service. If no coaxial cable exists or the coaxial cable is unacceptable, the technician will install wiring to the first

cable outlet as a part of the new service and will install new coaxial wiring to other locations identified by the customer at the customer's expense.

#### Connection Method: Digital - New Install

Installation per the analog method will be done. In addition, the technician also will have a set top box that will need to be installed near the TV. The technician will connect a coaxial cable from the wall outlet to the set top and another coaxial cable from the set top box to the TV. The technician will also connect the customer's VCR and/or DVD device and check for proper operation. A fee may be charged for non-standard installations involving multiple components such as surround sound systems or other electronic equipment.

This process will be followed for any boxes installed.

#### Connection Method: Digital - Set Top Box

When a set top box is installed the technician will call the service center at which point the digital services previously ordered by the customer will be activated. A remote command will be issued to the set top box in real time to turn the purchased service(s) on.

#### Connection Method: Digital - PPV

Customers must have at least one set top box to have access to the service. The customer will use their remote control to purchase the programming they desire. Purchases will appear on the monthly bill.

#### Equipment Changes and Re-Configurations

When a customer changes the in-home configuration (e.g., moving a set top box from one TV to another), the customer will be able to accomplish this change without reconfiguring the set top box.

## FTTP System Architecture

### End-to-End Architecture

Figure 1 shows the architecture topology for supporting service across multiple market areas. A brief summary of the end-to-end architecture follows. Subsequent sections provide more information on each major component within the planned Verizon FTTP overlay architecture.

Figure 2 shows full build and overlay architecture. FTTP will be built instead of copper facilities in new communities. In existing communities, the existing copper network will continue to serve those customers who have not migrated to the FTTP network. The fiber is deployed from a Central Office location within a wire center area.

Figure 1-High Level End to End Architecture

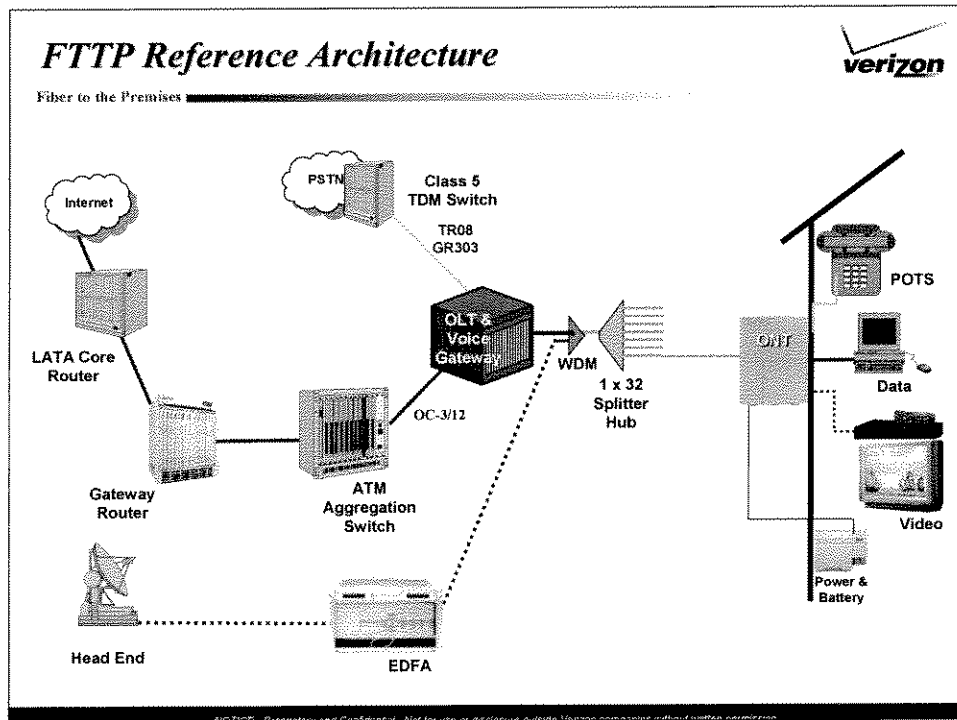
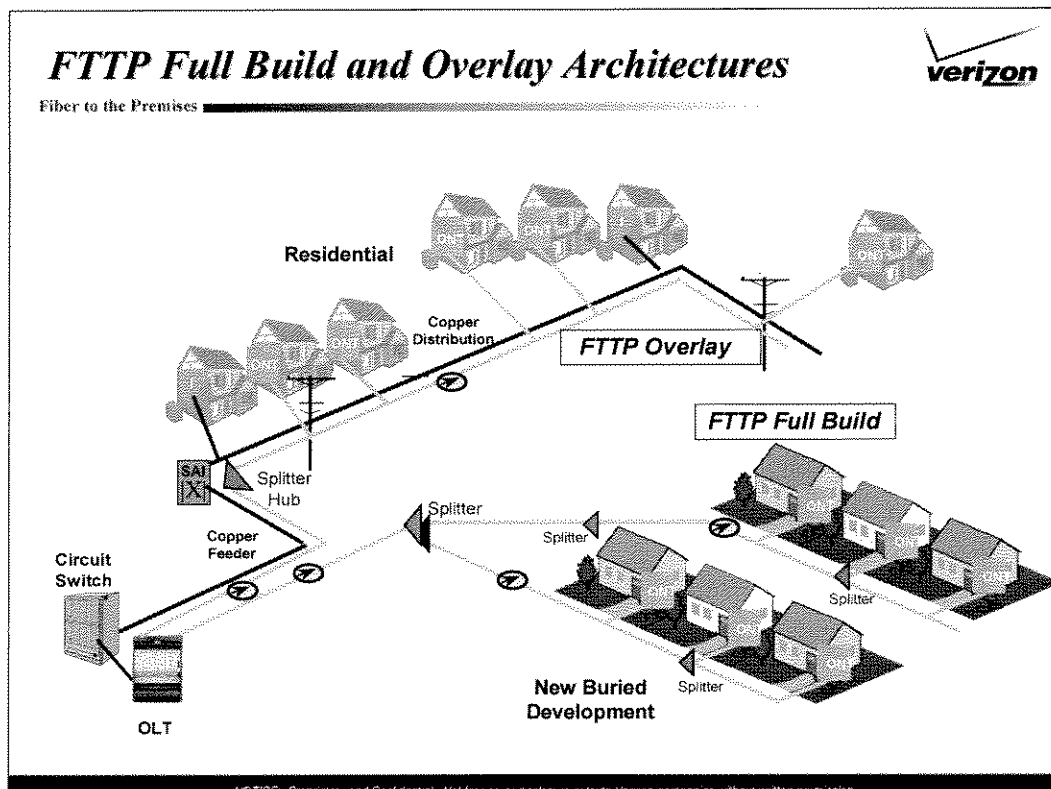


Figure 2-FTTP Full Build and Overlay Architectures



At the national or regional level, a “super” headend (SHE) shall serve as the single point of national content aggregation (see Figure 1). All content shall be encoded into MPEG2 streams and transported over nationwide SONET services. In each market where Verizon seeks to offer service, the broadcast video traffic is off loaded from the long haul network and terminated at a Video Hub Office (VHO). Network redundancy and route diversity shall extend from the SHE to the VHO.

The VHO serves as the metro or local point of aggregation. It is here that off-air and public, education, and government (PEG) channels (where appropriate) are combined with the broadcast video coming from the SHE. Interactive Program Guides (IPG) shall be controlled from this site, also. The service that exits the VHO shall look like the final product viewed by the end user subscriber.

Video traffic is converted to optical signals at the VHO and transported over Verizon’s metro area, inter-office facilities (IOF) to Video Serving Offices (VSOs). Voice and high-speed data signals are combined with the video at this location for final transport to the subscriber premises over Verizon’s FTTP Passive Optical Network (PON).

At the premise, the optical video signal is de-multiplexed and converted to an electrical signal, which meets video industry standards for cable services. Standard home wiring practices, using coaxial cables, as well as alternative media, shall distribute the signal to cable ready TVs and standard set top boxes (STB).

There will be 24x7 control and surveillance of the video platform from a remote location. This Network Operations Center (NOC) will be centrally located and shall be responsible for the operation and maintenance of the Conditional Access System (CAS), which directs the encryption functions performed back at the VHO.

#### Super Headend (SHE)

A "super" headend (SHE) shall serve as the single point of national content aggregation. At general service availability, Verizon shall deploy a primary SHE and an additional SHE for redundancy.

Both the primary and redundant SHEs will be strategically located to ensure technical and environmental requirements are met.

The key functions of the SHE include:

Content Reception

Signal Processing

Encoding

Network Interface

The majority of video sources shall be individual content provider programming. A mix of standard and high definition formats shall be supported. All content shall be encoded into MPEG2 streams, formatted for SONET, and transported via an OC48c to a local point-of-presence (POP) for wide area (national) transport.

#### **Wide Area Transport**

In support of the video service, Verizon will use OC48c SONET facilities in the POPs serving target video markets. Where multiple POPs exist within a market, redundancy options shall dictate if a single or multiple POPs shall be designated for supporting the video traffic.

In most cases, it is expected that the video traffic shall traverse multiple interconnected rings between the SHE and the destination market. Once the video traffic reaches a POP located in a target market, it will be forwarded to an OC48c SONET interface connected to metro/local SONET facilities. These facilities shall connect the POP to a Video Hub Office (VHO). VHOs are capable of serving multiple communities within a target



market. If more than one VHO is required, the metro SONET ring(s) would be deployed to cover multiple sites.

#### Video Hub Office (VHO)

The VHO serves as the metro or local point of aggregation. The VHO location is based on a combination of technical factors, metro fiber/IOF availability, local channel reception characteristics, and municipal regulations (e.g., zoning ordinances).

Under current network design plans, the anticipated functions of the VHO include:

WAN Interface for Video Transport

Ad Insertion

PEG Content

Signal Grooming and Multiplexing

Emergency Alert Service

Interactive Program Guide

Conditional Access

Local Content

The VHO shall aggregate three basic sources of content: national broadcast channels, local broadcast channels, and public, education, & government (PEG) channels. The national content is the traffic sent from the SHE and is delivered via an OC48c SONET interface from the SONETPOP. The local broadcast channels shall be received off-air via antennas or terrestrial fiber transport located at the VHO site. The PEG channels shall be collected via terrestrial connections from each local franchising area (LFA) served by the VHO. Finally, based on Verizon service tiering requirements to support an analog tier, a certain subset of channels shall be converted from digital to analog signals at the VHO (or kept in analog format if local or PEG).

The final collection of content is placed into the RF spectrum between 50 – 870 MHz as either an analog AM-VSB signal or, as part of a digital multiplex, into a 256-QAM modulated carrier. Digital content requiring encryption by the CAS shall also be multiplexed into QAM modulators and combined with other analog and digital carriers. In addition, an out-of-band downstream channel is generated which carries the Interactive Program Guide (IPG), provisioning, and management messages to STBs. The combined RF signal is converted to optics and fed into EDFAs at egress from the VHO. These optical video signals are transported on the 1550 nm wavelength of the G.983-specified Enhancement band to Verizon Video Serving Offices (VSOs).

As noted previously, it is intended that the broadcast video traffic/service that exits the VHO shall look like the final product viewed by the end user subscriber.

### Metro Area Transport

The optical video signals coming from the VHO are transported on the 1550 nm wavelength over fiber available within Verizon's inter-office facilities (IOF).

### Video Serving Office (VSO) & Passive Optical Network (PON)

The Video Serving Office (VSO) is a location within the central office containing FTTP equipment. If technically feasible or otherwise appropriate, PEG insertion may occur at this location in the network.

The key function of the VSO is to combine Broadcast Video into the Voice and High Speed Data FTTP Network

Once in the VSO, the optical video signal is sent through an EDFA and then to a Wave Division Multiplexer (WDM) combiner and splitter, which is used to add the video signal to the voice and high-speed data signals' wavelength (1490nm) – coming from the Optical Line Terminal (OLT) – together with the video wavelength onto a single optical source. This optical signal is then sent towards the subscriber premises via a PON. The VSO will also play a role in supporting upstream signals from the customer premises for pay-per-view services. Pay-per-view usage data uses the data service's 1310nm upstream wavelength. The upstream data communications shall be sent back to a subscriber database located in the Operations Center located in the VHO.

### Customer Premises

At the premise, an Optical Network Terminal (ONT) de-multiplexes the 1550nm optical signal and simply converts it to a voice, data and video electrical signal, which meets video industry standards for cable services.

It is expected that, in many cases, standard home wiring practices, using coaxial cables, will distribute the signal to cable ready TVs (for analog only subscribers) and STBs for digital subscribers.

**Attachment 4**  
**Channel Line-Up**  
**(to be finalized prior to service launch)**

<b>Beaumont, CA</b>	
2	KCBS (CBS) L.A.
3	PEG
4	KNBC (NBC) L.A.
5	KTLA (WB) L.A.
6	KLCS (ETV) L.A.
7	KABC (ABC) L.A.
8	KESQ (ABC) Indio
9	KCAL (Ind.) L.A.
10	KAZA (Ind.) Avalon
11	KTTV (Fox) L.A.
12	KDOC (Ind.) Anaheim
13	KCOP (UPN) L.A.
14	KTBN (Trinity) Santa Anna
15	KXLA (Ind.) Rancho Palos Verdes
16	KJLA (Ind.) Ventura
17	KRCA (Ind.) Riverside
18	KSCI (Ind.) Long Beach
19	KADY-TV (Ind.) Santa Barbara
20	KVMD (Ind.) Twentynine Palms
21	PEG
22	KWHY (Telemundo) L.A.
23	PEG
24	KVCR (ETV) San Bernadino
25	KOCE (ETV) Huntington Beach
26	PEG
27	PEG
28	KCET (PBS) L.A.
29	PEG
30	KPXN (PAX) San Bernadino
31	PEG
32	KVEA (Telemundo) Corona
33	KFTR (Telefutura) Ontario
34	KMEX (Univision) L.A.
35	PEG
36	PEG
37	TV Guide
38	The Weather Channel
39	Weatherscan Local
40	USA Network
41	TBS
42	TNT

43	FX
44	Spike TV
50	ESPN
51	ESPN 2
52	Fox Sports Net – SW
54	Golf
60	CNN
61	CNN Headline News
62	Fox News
63	CNBC
64	MSNBC
65	Bloomberg TV
66	CNN fn
67	CNN International
68	CNBC World
69	Newsworld International
70	C-SPAN
71	C-SPAN 2
72	C-SPAN 3
80	Biography
81	History Channel
82	History Channel International
83	National Geographic Channel
84	Discovery Channel
84	Discovery Times
86	Discovery Science Channel
87	Discovery Wings
88	Animal Planet
89	TLC
100	Lifetime
101	Lifetime Movie Network
102	Lifetime Real Women
103	Soapnet
104	Oxygen
105	WE: Women's Entertainment
110	Style
111	Discovery Health
112	Wisdom
113	Fit TV
114	Food Network
115	Home and Garden TV
116	Discovery Home
117	DIY (Do It Yourself)
118	Fine Living
119	Travel Channel
130	E! Entertainment Television

131	Court TV
132	Bravo
133	A&E
134	TRIO
135	Ovation
136	BBC America
137	Logo
138	Comedy Central
139	GSN
140	Sci-Fi Channel
141	G4 / TechTV
142	Anime Channel
150	MTV
151	MTV2
152	FUSE
153	MTV Jams
154	MTV Hits
155	VH1
156	VH1 Classics
157	VH1 Soul
158	VH1 Mega Hits
159	BET on Jazz
160	CMT
161	VH1 Country
162	Great American Country
163	Soundtrack Channel
170	AMC
171	Turner Classic Movies
172	Universal Movies
173	Hallmark Movie Channel
180	Hallmark Channel
181	ABC Family
182	Family Net
183	GoodLife TV
184	TV Land
190	Nickelodeon
191	Nick Too
192	Nick Toons
193	GAS
194	Noggin
195	Disney
196	Toon Disney
197	Cartoon
198	Boomerang
199	Discovery Kids
200	Varsity

210	BET
211	TV One
212	Galavision
213	Mun 2
214	International
220	EWTN
221	INSP
222	I-Life
223	Church
224	JCTV
225	Day Star
230	HSN
231	QVC
232	Shop NBC
233	Shop at Home
234	America's Store
235	Product Information Network
236	Jewelry
237	EXPO
411	Verizon Information
	digital STB
600-646	Music Choice
300	ESPN Classic Sports
301	ESPNews
302	Fox College Sports Atlantic
303	Fox College Sports Central
304	Fox College Sports Pacific
305	College Sports Television
306	Tennis Channel
307	NFL Network
308	NBA TV
309	Speed Channel
310	Fuel
311	Outdoor Life
312	Outdoor Channel
313	Sportsman's Channel
314	Fox Sports World
315	GOL TV (English Feed - Soccer)
316	TVG (Horse Racing)
317	Horse Racing TV
350	Independent Film Channel
351	Fox Movie Channel
352	Sundance
353	Showtime
354	Showtime Showcase
355	Showtime Too

356	Showtime Beyond
357	Showtime Extreme
358	Showtime Women
359	Showtime Next
360	Showtime Family Zone
361	TMC
362	TMC Xtra
363	Flix
364	Starz!
365	Starz! Theater
366	Black Starz!
367	Starz! Family
368	Starz! Cinema
369	Starz! Kids
370	Encore
371	Encore Love
372	Encore Westerns
373	Encore Mystery
374	Encore True Stories
375	Encore Action
376	Encore-WAM!
400	Mun 2
401	Canal 24 Horas
402	CNN en Espanol
403	Canal SUR
404	ESPN Deportes
405	Fox Sports World Espanol
406	GOL TV (Soccer)
407	MTV Espanol
408	VH Uno
409	Video Rola
410	hTV Musica
412	Vida Vision
413	Cine Latino
414	History Espanol
415	Discovery En Espanol
416	Grandes Documentales
417	Infinito
418	La Familia
419	Sorpresa
420	Toon Disney Espanol
421	Latin TV
422	Puma TV
423	TV Chile
424	TV Colombia
425	TVE International

426	Utilisima
427	TBN Enlace USA
428	EWTN Espanol
440	HBO
441	HBO West
442	HBO 2
443	HBO 2 West
444	HBO Signature
445	HBO Signature West
446	HBO Family
447	HBO Family West
448	HBO Comedy
449	HBO Comedy West
450	HBO Zone
451	HBO Zone West
452	HBO Latino
453	HBO Latino West
455	Cinemax
456	Cinemax West
457	More Max
458	More Max West
459	Action Max
460	Action Max West
461	Thriller Max
462	Thriller Max West
463	Womens Max
464	At Max
465	Five Star Max
466	OuterMax
470	Playboy Premium
480	SBTN (Vietnamese)
481	CCTV-4 (Mandarin Chinese)
482	The Filipino Channel
483	TV Japan
484	MBC (Korean)
485	cti -- Zhong Tian Channel (Chinese)
486	TV Asia
487	ART (Arabic)
488	RAI (Italian)
489	TV 5 (French)
490	TVP Polonia (Polish)
491	Rang A Rang (Farsi)
492	NITV (Farsi)
493	German TV
494	Deutsche Welle TV
495	DW Radio 1



496	RTN Russian
497	Channel 1 Russian
498	AIT (African)
502	KDTN (PBS)
503	PEG
504	KDFW (Fox)
505	KXAS (NBC)
506	PEG
507	KFWD (Ind.)
508	WFAA (ABC)
509	WGN
510	KLDT (Ind.)
511	KTVT (CBS)
512	PEG
513	KERA (PBS)
514	PEG
515	PEG
516	KDTX (Trinity)
517	KSTR (Telemundo)
518	KTXA (UPN)
519	KUVN (Univision)
520	KPXD (PAX)
521	KDFI (Ind.) (Fox)
522	KMPX (Daystar)
523	KDAF (WB)
524	TV Guide
525	The Weather Channel
526	USA Network
527	TBS
528	TNT
529	FX
530	Spike TV
531	ESPN
532	ESPN 2
533	Fox Sports Net - SW
534	Golf
535	Fox Sports World Espanol
536	ESPN Deportes
537	GOL TV (Soccer)
538	Canal 24 Horas
539	CNN en Espanol
540	CNN Headline News
541	Fox News
542	CNBC
543	MSNBC
544	C-SPAN
545	History Espanol

546	Discovery En Espanol
547	Grandes Documentales
548	Animal Planet
549	TLC
550	Lifetime
551	Discovery Health
552	Food Network
553	Home and Garden TV
554	Travel Channel
555	E! Entertainment Television
556	Court TV
557	Bravo
558	A&E
559	Comedy Central
560	Sci-Fi Channel
561	MTV Espanol
562	Video Rola
563	hTV Musica
564	Vida Vision
565	VH Uno
566	MTV2
567	MTV Jams
568	MTV Hits
569	CMT
570	AMC
571	Turner Classic Movies
572	Cine Latino
573	Hallmark Channel
574	ABC Family
575	La Familia
576	TV Land
577	Nickelodeon
578	Disney
579	Toon Disney Espanol
580	Cartoon
581	Sorpresa
582	BET
583	Galavision
584	Mun 2
585	Canal SUR
586	Infinito
587	Latin TV
588	Puma TV
589	TV Chile
590	TV Colombia
591	TVE International
592	Utilisima

593	TBN Enlace USA
594	EWTN Espanol
595	Home Shopping Network
596	QVC
597	Shop NBC
	<b>Digital Music</b>
600	Showcase
601	Today's Country
602	Classic Country
603	Bluegrass
604	R&B and Hip-Hop
605	Classic R&B
606	Smooth R&B
607	R&B Hits
608	Rap
609	Metal
610	Rock
611	Arena Rock
612	Classic Rock
613	Alternative
614	Retro-Active
615	Electronica
616	Dance
617	Adult Alternative
618	Soft Rock
619	Hit List
620	Party Favorites
621	90s
622	80s
623	70s
624	Solid Gold Oldies
625	Singers and Standards
626	Big Band & Swing
627	Easy Listening
628	Smooth Jazz
629	Jazz
630	Blues
631	Reggae
632	Soundscapes
633	Classical Masterpieces
634	Opera
635	Light Classical
636	Show Tunes
637	Contemporary Christian
638	Gospel
639	Radio Disney
640	Sounds of the Seasons

641	Musica Urbana
642	Salsa Merengue
643	Rock 'En Español
644	Pop Latino
645	Mexicana
646	Americana
	<b>PPV &amp; HDTV</b>
700	Movie/Events Previews
701	In Demand Events #1
702	In Demand Events #2
703	SPORTS PPV
704	SPORTS PPV
705	SPORTS PPV
706	SPORTS PPV
707	SPORTS PPV
708	SPORTS PPV
709	SPORTS PPV
710	SPORTS PPV
711	SPORTS PPV
712	SPORTS PPV
713	SPORTS PPV
714	SPORTS PPV
715	SPORTS PPV
716	SPORTS PPV
717	SPORTS PPV
718	SPORTS PPV
719	SPORTS PPV
720	SPORTS PPV
721	SPORTS PPV
722	SPORTS PPV
723	SPORTS PPV
724	SPORTS PPV
800	Discovery HDTV
801	Bravo HD+TV
802	HD Net
803	HD Net Movies
804	ESPN HDTV
805	ABC HDTV
806	NBC HDTV
807	CBS HDTV
808	FOX HDTV
809	PBS HDTV
810	In Demand 1 HDTV
811	In Demand 2 HDTV
812	TNT HDTV
813	A&E HDTV
814	MTV HDTV

815	Spike HDTV
816	MSG HDTV
817	NBA TV HDTV
818	NFL Network HDTV
819	Showtime HDTV
820	TMC HDTV
821	Starz! HDTV
822	Encore HDTV
823	HBO HDTV
824	Cinemax HDTV
825	Spice HDTV
900	<b><i>FIOS On Demand</i></b>
	ESPN On Demand
	Golf Channel On Demand
	CNN On Demand
	Discovery On Demand
	E! On Demand
	Comedy Central On Demand
	A&E On Demand
	Court TV On Demand
	HGTV On Demand
	Food Network On Demand
	Cartoon On Demand
	Biography On Demand
	BBC On Demand
	C-Span On Demand
	Bloomberg On Demand
	G4 / TechTV On Demand
	National Geographic On Demand
	DIY On Demand
	Ovation On Demand
	Boomerang On Demand
	Fine Living On Demand
	Anime Channel On Demand
	Varsity On Demand
	Moviewatch On Demand
	<b><i>linear subscription may be required for the following:</i></b>
	Sundance On Demand
	Showtime On Demand
	TMC On Demand
	Starz! On Demand
	Encore On Demand
	HBO On Demand
	Cinemax On Demand
	Speed Channel On Demand

	Outdoor Life On Demand
	NFL Network On Demand
	<i>Pay Per View</i>
	Verizon Movies On Demand
	IFC On Demand
	Playboy On Demand
	TeN On Demand
	Latino On Demand
	Mandrin On Demand
	Hindi On Demand
	Russian On Demand
	<i>Subscription Packages</i>
	Disney On Demand
	Disney Playhouse On Demand
	MagRack
	NBC On Demand
	PBS Kids On Demand
	SportSkool
	WWE On Demand
	Soundtrack Channel On Demand
	My Music Choice
	TV Guide On Demand
	ABC On Demand

# **Attachment 5** **Listing of Verizon Communications Inc. Affiliates** **(Company owns 5% or more)**

1800 Arch Street Limited Partnership  
1800 JFK Joint Venture  
1880 JFK Joint Venture  
1880 JFK Land - Holding Partnership  
Agencia Mirador, S.A.  
Anglo-Canadian Telephone Company  
Associated Venture Investors III, L.P.  
Atlantic West B.V.  
BACC Eian Corporation  
BAFIS Bell Atlantic Federal Integrated Systems, GmbH  
BAM I LLC  
BAM Tower Funding Corporation  
BAP - 1800 Arch Land Parcel, Inc.  
BAP - Caroline, Inc.  
BATCL - 1987 - I, Inc.  
BATCL - 1987 - II, Inc.  
BATCL - 1987 - III, Inc.  
BATCL-1991-II, Inc.  
BATCO-1989-II, Inc.  
BATCO-1989-III, Inc.  
Bayan Telecommunications Holdings Corporation  
BBNT Solutions LLC  
Bear Swamp I LLC  
Bear Swamp II LLC  
Beaufoy Ltd.  
Bell Atlantic (Barbados), Ltd.  
Bell Atlantic (Bermuda) Holdings Ltd.  
Bell Atlantic Administrative Services, Inc.  
Bell Atlantic Advertising (China) Company  
Bell Atlantic Australia Pty. Limited  
Bell Atlantic Austria, Inc.  
Bell Atlantic Aviation Services, L.P.  
Bell Atlantic Capital Corporation  
Bell Atlantic Cellular Holdings, L.P.  
Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance)  
Bell Atlantic Construction Services, Inc.  
Bell Atlantic Directory Services (Taiwan) Company Ltd.  
Bell Atlantic Entertainment and Information Services Group, Inc.  
Bell Atlantic Federal Integrated Solutions - Puerto Rico, Inc.  
Bell Atlantic Foreign Sales Corporation  
Bell Atlantic Full Services Channel, Inc. (d/b/a Bell Atlantic Plus)  
Bell Atlantic Global Systems Company  
Bell Atlantic Global Wireless, Inc.  
Bell Atlantic Holdings Limited  
Bell Atlantic India, Inc.  
Bell Atlantic Indonesia, Inc.

Bell Atlantic Information Services Hellas S.A.  
Bell Atlantic Information Systems, Inc.  
Bell Atlantic Integrated Systems, Inc.  
Bell Atlantic International - Italia S.r.L.  
Bell Atlantic International Finance Company  
Bell Atlantic International, Inc.  
Bell Atlantic Investment Development Corporation  
Bell Atlantic Latin America Holdings, Inc.  
Bell Atlantic Mexico, S.A. de C.V.  
Bell Atlantic Mobile Systems of Northern New Jersey, Inc.  
Bell Atlantic Mobile Systems, Inc.  
Bell Atlantic Mobile, Inc.  
Bell Atlantic Network Systems (Bermuda) Limited  
Bell Atlantic Network Systems Company  
Bell Atlantic New Holdings, Inc.  
Bell Atlantic New Zealand Holdings, Inc.  
Bell Atlantic NSI ISCP Ventures II, Inc.  
Bell Atlantic NSI ISCP Ventures, Inc.  
Bell Atlantic Offshore Mauritius Limited  
Bell Atlantic Personal Communications, Inc.  
Bell Atlantic Public Communications, Inc.  
Bell Atlantic Puerto Rico, Inc.  
Bell Atlantic Technical Services, Inc.  
Bell Atlantic TELE-TV Holdings, Inc.  
Bell Atlantic Telezone Holdings, Inc.  
Bell Atlantic TriCon Leasing Corporation  
Bell Atlantic Venture 36 Holdings, Inc.  
Bell Atlantic Venture Fund, Inc.  
Bell Atlantic Ventures II, Inc.  
Bell Atlantic Ventures XXV, Inc.  
Bell Atlantic Ventures XXXI, Inc.  
Bell Atlantic Ventures XXXIV, Inc.  
Bell Atlantic Worldwide Services Group, Inc.  
Braham Ltd.  
Caribbean Reservation Center, C. por A.  
Caribe Information Investments Incorporated  
Cellco Partnership  
Century IV Partners  
CODETEL International Communications Incorporated  
CODETEL, C. POR A.

Compañía Anónima Nacional Teléfonos de Venezuela (CANTV) Comunicaciones Nacionales, C. por A.  
Comunicaciones Telefónicas, C. por A.  
Conagro Telecommunications, S.A.  
Contel Advanced Systems, Inc.  
Contel Cellular International, Inc.  
Contel Federal Systems, Inc.  
Contel of Minnesota, Inc. (d/b/a Verizon Minnesota)  
Contel of New York, Inc.  
Contel of the South, Inc. (d/b/a Verizon Mid-States)  
Contel Page International, Inc.  
Contel Service Corporation  
ContelVision, Inc.  
Continental Telecommunications Company (Nigeria)  
Continental Telephone do Brasil, Ltd.  
Crown Atlantic Holding Company LLC  
CTI Compañía de Teléfonos del Interior S.A.  
CTI Holdings S.A.  
CTI PCS S.A.  
Czech Directory Services Company  
Datacom Caribe, Inc.  
DEZ Corporation  
Dickerson OLI LLC  
Empire City Subway Company (Limited)  
ESI KF Limited Partnership  
Eurocall Communications Ltd.  
EuroTel Bratislava a.s.  
EuroTel Praha Ltd.  
Exchange Indemnity Company  
Expat Directory Services Company  
Federal Network Systems LLC  
FLAG Telecom Holdings Limited  
Genuity Inc.  
Gibraltar NYNEX Communications Limited  
GITI Services Puerto Rico Incorporated  
GITS Branch LLC  
Global Directory Services Company  
Grape Ltd.  
Green Harbor Corporation  
Grupo Iusacell Celular, S.A. de C.V.  
Grupo Iusacell, S.A. de C.V.  
GT Towers Incorporated  
GTE Alaska Incorporated  
GTE Arkansas Incorporated (d/b/a Verizon Arkansas)  
GTE Communication Systems Corporation  
GTE Consumer Services Incorporated  
GTE Control Devices Incorporated  
GTE Corporation

GTE Directories (B) Sdn. Bhd. (Brunei)  
 GTE Directories (HK) Limited  
 GTE Directories Canada Limited  
 GTE Directories Corporation S.A.  
 GTE Dominican Republic Holdings LLC  
 GTE Enterprise Initiatives Incorporated  
 GTE Far East (Services) Limited  
 GTE Funding Incorporated  
 GTE Hawaiian Tel Insurance Company Incorporated  
 GTE Holdings (Canada) Corporation  
 GTE Holdings (Puerto Rico) LLC  
 GTE Industries Incorporated  
 GTE Information Services (UK) Limited  
 GTE International Incorporated  
 GTE International Telecommunications Incorporated  
 GTE International Telecommunications Services LLC  
 GTE International Telephone Incorporated  
 GTE Investments LLC  
 GTE Iran Incorporated  
 GTE Leasing Acceptance Corporation  
 GTE Life Insurance Company Limited  
 GTE Main Street Incorporated  
 GTE Mexico, L.L.C.  
 GTE Midwest Incorporated (d/b/a Verizon Midwest)  
 GTE Mobile Communications International Incorporated  
 GTE Mobilnet of Eastern North Carolina Incorporated  
 GTE Operations Support Incorporated  
 GTE Overseas Corporation  
 GTE Pacifica Incorporated (d/b/a Verizon Pacifica)  
 GTE PCS International LLC  
 GTE Products of Connecticut Corporation  
 GTE REinsurance Company Limited  
 GTE Southwest Incorporated (d/b/a Verizon Southwest)  
 GTE Sprint Communications Corporation  
 GTE Sylvania S.A. Electronica, Quimica, Industrial y Comercial  
 GTE Telecom International Incorporated  
 GTE Telecom International Systems Corporation  
 GTE Vantage Incorporated  
 GTE Venezuela Incorporated  
 GTE Venezuela S.à r.l.  
 GTE Venholdings B.V.  
 GTE VisNet Incorporated  
 GTE Wireless Incorporated  
 GTE Wireless of Ohio Incorporated  
 GTE Wireless Service Corporation  
 GTE Yellow Pages Publishing Hungary Kft.  
 GTE.Net LLC  
 GTER Incorporated

GTE-TCCA, Inc.  
 GTEX Corporation  
 Herold Business Data AG  
 ICA Foreign Financial, Inc.  
 Informática y Telecomunicaciones, C. por A.  
 Infoseek Corporation  
 Iron Run Venture III  
 ISCP Alliance LLC  
 J. Pelayo Rancier Sucesores, C. por A.  
 Kalama Grain Terminal, Inc.  
 Kipling Associates L.L.C.  
 Las Cruces Cellular Telephone Company  
 Laycon Telecommunications, S.A.  
 LEASINGCORP, S.A.  
 LGS Realty Corp.  
 Mango Associates, L.P.  
 MEDIATEL Directory Services Company  
 MEDIATEL spol.sr.o. (Bratislava/Slovakia)  
 MEDIATEL spol.sr.o. (Praha/Czech Republic)  
 Metro Mobile CTS of Charlotte, Inc.  
 MetroMedia Fiber Network, Inc.  
 Mexfone, S.A. de C.V.  
 MICROTEC, S.A.  
 Mid-Atlantic RMTS Holdings, L.L.C.  
 Minotel Communications Limited  
 Montana OL3 LLC  
 Montana OL4 LLC  
 Montana OP3 LLC  
 Montana OP4 LLC  
 Morgantown OLI LLC  
 Movicelular, S.A. de C.V.  
 Moviservicios, S.A. de C.V.  
 Movitel del Noroeste, S.A. de C.V.  
 NCC Anaconda Company  
 NCC Braeburn Company  
 NCC Capon Company  
 NCC Charlie Company  
 NCC Delta Company  
 NCC Dove Corporation  
 NCC Echo Company  
 NCC Farnborough Company  
 NCC Fox Company  
 NCC FSC I, Inc.  
 NCC FSC II, Inc.  
 NCC FSC III, Inc.  
 NCC FSC IV, Inc.  
 NCC FSC IX, Inc.  
 NCC FSC V, Inc.  
 NCC FSC VII, Inc.  
 NCC FSC VIII, Inc.  
 NCC FSC X, Inc.  
 NCC FSC XI, Inc.  
 NCC FSC XII, Inc.  
 NCC Golf Company  
 NCC Horizon Company  
 NCC Indigo Company  
 NCC Jupiter Company  
 NCC Key Company  
 NCC Luna Company  
 NCC Mianus Corporation  
 NCC Micon Company  
 NCC Neptune Company  
 NCC Orion Company

NCC Polar Company  
 NCC Republic Company  
 NCC Ria Company  
 NCC Sierra Company  
 NCC Solar Company  
 NCC Stamford Corporation  
 NCC Tarzana Company  
 NCC Umbra Company  
 NCC Viva Company  
 NCC Xebec Company  
 NCC Yearling Company  
 NCC Zee Company  
 New Bedford Cellular Telephone Company  
 Nord Trans Biuro Reklam Sp. z.o.o.  
 NTL Incorporated  
 NYNEX Asia Holdings (No. 1) LLC  
 NYNEX Asia Investments (Indonesia) LLC  
 NYNEX Asia LDC  
 NYNEX Bell IP Holding Corporation  
 NYNEX Cellular Holding Sdn.  
 NYNEX Corporation  
 NYNEX Entertainment & Information Services Company  
 NYNEX Indocel Holding Sdn.  
 NYNEX International (Asia) Ltd  
 NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions)  
 NYNEX Mandalay Holdings, Inc.  
 NYNEX Mandalay Investors, Inc.  
 NYNEX Mandalay Management, Inc.  
 NYNEX Mandalay Subsidiary Holding Company  
 NYNEX Network Systems (Thailand) Company  
 NYNEX Network Systems International Subsidiary Company  
 NYNEX PCS Inc.  
 NYNEX Science & Technology Asia, Ltd.  
 NYNEX Subsidiary (Japan) Company  
 Omnitel-Pronto Italia S.p.A  
 Omnitel-Sistemi Radiocellulari Italiani S.p.A.  
 One Parkway, Inc.  
 OnePoint Communications Holdings, L.L.C.  
 OnePoint Communications-Colorado, L.L.C.  
 OnePoint Communications-Georgia, L.L.C.  
 OnePoint Communications-Illinois, L.L.C.  
 OnePoint Services, L.L.C.  
 Operadora de Procesamiento de Información y Telefonía, C. por A.  
 Orange County-Poughkeepsie MSA Limited Partnership  
 P.T. Citra Sari Makmur  
 P.T. Excelcomindo Pratama  
 P.T. NYNEX Indonesia  
 Parlance Corporation  
 PC Lease Partners I  
 PC Lease Partners II  
 PCSCO Partnership



Pennsylvania RSA 6(II) Limited Partnership  
 Pittsfield Cellular Telephone Company  
 Polish Directory Services Company  
 Polskie Książki Telefoniczne, Sp. z o.o.  
 Portal Investments, Inc.  
 Providence Cellular Telephone Company  
 Puerto Rico Telephone Company, Inc.  
 Quality Telecommunications, C. por A.  
 Quarry Technologies, Inc.  
 Radiowealth, Inc.  
 Realtech Corporation  
 Reliance Telecom Private Limited  
 RJM Lease Partners I  
 RJM Lease Partners II  
 Roxbury Corners Limited Partnership  
 Rudolf's Engine LLC  
 Seaboard Merger Company  
 SEMA OP1 LLC  
 SEMA OP2 LLC  
 SEMA OP3 LLC  
 Servicio de Telecomunicación Telefónica, C. por A.  
 Shanghai Bell Atlantic Yellow Pages Advertising Co. Ltd.  
 Sherkate Sahami Khass Telephone Sazi Iran  
 Steam Heat LLC  
 Steamed Crab Partners, L.P.  
 STET Hellas Telecommunications S.A.  
 Taiwan Cellular Corporation  
 Telecom Corporation of New Zealand Limited  
 TelecomAsia Corporation Public Company Limited  
 Telecomunicaciones de Puerto Rico, Inc. (TELPRI)  
 Telesector Resources Group, Inc. (d/b/a Verizon Services Group)  
 Teletronics Financing Corporation  
 TELE-TV  
 TELE-TV Media Partners, L.P.  
 TeleZone, Inc.  
 TELUS Communications (Quebec) Inc.  
 TELUS Communications Inc.  
 TELUS Corporation  
 Texas Holdings, LLC  
 The Bell Atlantic Systems Group, Inc.  
 The Elizabeth Islands Telephone Company  
 The Micronesia  
 Telecommunications Corporation  
 VCC Triangle Services Company Ltd.  
 VENTURE 36, LLC  
 Verizon (Thailand) Limited  
 Verizon Accounting and Information Services Inc.  
 Verizon Advanced Data - Virginia Inc.  
 Verizon Advanced Data Inc.

Verizon Advanced Data Services Inc.  
 Verizon Airfone Inc.  
 Verizon Asset Management Corp.  
 Verizon Avenue Corp.  
 Verizon California Inc.  
 Verizon Call Center Services (UK) Limited  
 Verizon Canada Holdings Corporation  
 Verizon Capital Corp.  
 Verizon Capital Funding Corp.  
 Verizon Connected Solutions Inc.  
 Verizon Corporate Services Corp.  
 Verizon Corporate Services Group Inc.  
 Verizon Credit Inc.  
 Verizon Data Services - Venezuela, C.A.  
 Verizon Data Services Inc.  
 Verizon Data Services India Private Limited  
 Verizon Delaware Inc.  
 Verizon Directories Corp.  
 Verizon Directories Distribution Corp.  
 Verizon Directories Sales Corp.  
 Verizon Directory Graphics Inc.  
 Verizon Directory Properties Inc.  
 Verizon Directory Publishing Corp.  
 Verizon Directory Services Inc.  
 Verizon Enterprise Solutions Virginia Inc.  
 Verizon Entertainment Services Company  
 Verizon Europe Holdings II B.V.  
 Verizon Federal Inc.  
 Verizon Florida Inc.  
 Verizon Global Funding Corp.  
 Verizon Global Networks Inc.  
 Verizon Global Solutions (Barbados) SRL  
 Verizon Global Solutions (Singapore) PTE Ltd.  
 Verizon Global Solutions Austria GmbH  
 Verizon Global Solutions Belgium B.V.B.A.  
 Verizon Global Solutions Brasil Ltda.  
 Verizon Global Solutions France SAS  
 Verizon Global Solutions Germany GmbH  
 Verizon Global Solutions Holdings I Ltd.  
 Verizon Global Solutions Holdings II Ltd.  
 Verizon Global Solutions Holdings III Ltd.  
 Verizon Global Solutions Holdings IV Ltd.  
 Verizon Global Solutions Holdings V Ltd.  
 Verizon Global Solutions Inc.  
 Verizon Global Solutions Ireland Limited  
 Verizon Global Solutions Italy S.r.l.  
 Verizon Global Solutions Luxembourg S.à r.l.

Verizon Global Solutions Netherlands B.V.  
 Verizon Global Solutions Singapore PTE. Ltd.  
 Verizon Global Solutions Spain, S.r.l.  
 Verizon Global Solutions Switzerland GmbH  
 Verizon Global Solutions U.K. Ltd.  
 Verizon GmbH  
 Verizon Hawaii Inc.  
 Verizon Hawaii International Inc.  
 Verizon Holdings-Mexico, S. de R.L. de C.V.  
 Verizon Information Services Inc.  
 Verizon Information Services-Belize, LLC  
 Verizon Information Services-Canada Inc.  
 Verizon Information Services-Costa Rica, LLC  
 Verizon Information Services-Puerto Rico Inc., S. en C.  
 Verizon Information Services-Puerto Rico, Inc.  
 Verizon Information Technologies Inc.  
 Verizon International (Singapore) PTE Ltd.  
 Verizon International Holdings Ltd.  
 Verizon International Telecom Services Inc.  
 Verizon Internet Services Inc.  
 Verizon Investment Management Corp.  
 Verizon Investments Inc.  
 Verizon IP Holding Inc.  
 Verizon Laboratories Inc.  
 Verizon Licensing Company  
 Verizon Long Distance Virginia Inc.  
 Verizon Maryland Inc.  
 Verizon Media Ventures Inc.  
 Verizon Mid-Atlantic Directory Sales Company  
 Verizon Network Funding Corp.  
 Verizon Network Integration Corp.  
 Verizon New England Inc.  
 Verizon New Jersey Inc.  
 Verizon New York Directory Sales Company  
 Verizon New York Inc.  
 Verizon North Inc.  
 Verizon Northwest Inc.  
 Verizon NSI Holdings Inc.  
 Verizon Pennsylvania Inc.  
 Verizon Properties Inc.  
 Verizon Puerto Rico Holdings LLC  
 Verizon Realty Corp.  
 Verizon Select Services Inc.  
 Verizon Select Services of Virginia Inc.  
 Verizon Services Corp.  
 Verizon Services Organization Inc.  
 Verizon Servicios de Información Dominicana, S.A.  
 Verizon South Inc.  
 Verizon Technology Corp.  
 Verizon TeleProducts Corp.  
 Verizon Trademark Services LLC  
 Verizon Ventures I Inc.

Verizon Ventures II Inc.  
Verizon Ventures III Inc.  
Verizon Virginia Inc.  
Verizon Washington, DC Inc.  
Verizon West Coast Inc.  
Verizon West Virginia Inc.  
Verizon Wireless Inc.  
Verizon Yellow Pages Company  
VIC-RMTS-DC, L.L.C.  
V-V PCS, L.P.  
VWI Acquisition Corporation  
VZ Chantilly Corporation  
Wallaroo Company  
Weatherly Holdings L.L.C.  
West Indies Telephone Company

An Agreement  
Between the City of Beaumont, California  
and Verizon California, Inc.

Granting Nonexclusive Rights to Operate and Provide Cable Service Within the  
City of Beaumont, California and Setting Forth Terms and Conditions Relating to  
the Exercise of Those Rights

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THIS CABLE FRANCHISE AGREEMENT (the "Franchise" or "Agreement") is entered into by and between the City of Beaumont, California, a duly organized municipal corporation under the applicable laws of the State of California (the Local Franchising Authority or "LFA") and Verizon California Inc., a corporation duly organized under the applicable laws of the State of California (the "Franchisee").

WHEREAS, the LFA wishes to grant Franchisee a nonexclusive franchise to construct, install, maintain, extend and operate a Cable System (as hereinafter defined) in the Franchise Area as designated in this Franchise; and

WHEREAS, the LFA is a "franchising authority" in accordance with Title VI of the Communications Act (*see* 47 U.S.C. §522(10)) and is authorized to grant one or more nonexclusive cable franchises pursuant to California Government Code § 53066; and

WHEREAS, Franchisee is in the process of installing a Fiber to the Premise Telecommunications Network ("FTTP Network") in the Franchise Area for the transmission of Non-Cable Services pursuant to authority granted by the State of California;

WHEREAS, the FTTP Network will occupy the Public Rights-of-Way within the LFA, and Franchisee desires to use portions of the FTTP Network once installed to provide Cable Services (as hereinafter defined) in the Franchise Area;

WHEREAS, the LFA has identified the future cable-related needs and interests of the LFA and its citizens, has considered the financial, technical and legal qualifications of Franchisee, and has determined that Franchisee's plans for its Cable System are adequate, and has considered, at a duly noticed public hearing and in accordance with Section 53066.3, California Government Code: (a) Whether there will be significant positive or negative impacts on the City; (b) Whether there will be an unreasonable adverse economic or aesthetic impact upon public or private property within the Franchise Area; (c) Whether there will be an unreasonable disruption or inconvenience to existing users, or any adverse effect on future use, of utility poles, public easements, and the Public-Rights-of-Way contrary to the intent of Section 767.5 of the Public Utilities Code; (d) Whether the franchise applicant has the technical and financial ability to perform; (e) Whether there is any impact on the franchising authority's interest in having universal Cable Service; (f) Whether other societal interests generally considered by franchising authorities will be met; (g) Whether the operation of an additional cable television system in the City is economically feasible; and (h) Such other additional matters, both procedural and substantive, as the City may determine to be relevant;

WHEREAS, the LFA has determined that in accordance with the applicable provisions of Chapter 5.36 of the Beaumont Municipal Code and Section 53066.3 of the California Government Code, the grant of a nonexclusive franchise to Franchisee is consistent with the public interest;

WHEREAS, the LFA has found Franchisee to be financially, technically and legally qualified to operate the Cable System; and

WHEREAS, the LFA and Franchisee have reached agreement on the terms and conditions set forth herein and the parties have agreed to be bound by those terms and conditions.

NOW, THEREFORE, in consideration of the LFA's grant of a franchise to Franchisee, Franchisee's promise to provide Cable Service to the Residents of the Franchise/Service Area of the LFA pursuant to and consistent with Chapter 5.36 of the Beaumont Municipal Code, pursuant to the terms and conditions set forth herein, the promises and undertakings herein, and other good and valuable consideration, the receipt and the adequacy of which are hereby acknowledged,

THE SIGNATORIES DO HEREBY AGREE AS FOLLOWS:

1. **DEFINITIONS.**

Except as otherwise provided herein, the definitions and word usages set forth in the Cable Law are incorporated herein and shall apply in this Agreement. In addition, the following definitions shall apply:

1.1. *Access Channel*: A video Channel, which Franchisee shall make available to the LFA without charge for public, educational, or governmental use for the transmission of video programming as directed by the LFA.

1.2. *Affiliate*: Any Person who, directly or indirectly, owns or controls, is owned or controlled by, or is under common ownership or control with the Franchisee.

1.3. *Basic Service*: Any service tier, which includes the retransmission of local television broadcast signals as well as the PEG Channels required by this Franchise.

1.4. *Cable Law*: Chapter 5.36 of the Beaumont Municipal Code, as it may be amended from time to time, and to the extent authorized under and consistent with federal and state law. As set forth below in Subsection 14.10, the LFA and the Franchisee recognize and agree that due to the nature of the Franchisee's FTTP Network, certain provisions of the Cable Law are not applicable to the Franchisee.

1.5. *Cable Service* or *Cable Services*: Shall be defined herein as it is defined under Section 602 of the Communications Act, 47 U.S.C. § 522(6).

1.6. *Cable System* or *System*: Shall be defined herein as it is defined under Section 602 of the Communications Act, 47 U.S.C. § 522(7), meaning Franchisee's facility, consisting of a set of closed transmission paths and associated signal generation, reception, and control equipment that is designed to provide Cable Service which includes video programming and which is provided to multiple Subscribers within the Service Area. The Cable System shall be limited to the optical spectrum wavelength(s), bandwidth or future technological capacity that is used for the transmission of video programming directly to Subscribers within the Franchise/Service Area and shall not include the tangible network facilities of a common carrier subject in whole or in part to Title II of the Communications Act or of an Information Services provider.

1.7. *Channel*: Shall be defined herein as it is defined under Section 602 of the Communications Act, 47 U.S.C. § 522(4).

1.8. *Communications Act*: The Communications Act of 1934, as amended.

1.9. *Control*: The ability to exercise *de facto* or *de jure* control over day-to-day policies and operations or the management of corporate affairs.

1.10. *Educational Access Channel*: An Access Channel available for the sole use of the local public schools in the Franchise Area.

1.11. *FCC*: The United States Federal Communications Commission, or successor governmental entity thereto.

1.12. *Force Majeure*: An event or events reasonably beyond the ability of Franchisee to anticipate and control. This includes, but is not limited to, acts of God, incidences of terrorism, war or riots, labor strikes or civil disturbances, floods, earthquakes, fire, explosions, epidemics, hurricanes, tornadoes, governmental actions and restrictions, work delays caused by waiting for utility providers to service or monitor utility poles to which Franchisee's Cable System is attached, and unavailability of materials and/or qualified labor to perform the work necessary.

1.13. *Franchise Area*: The incorporated area (entire existing territorial limits) of the LFA and such additional areas as may be included in the corporate (territorial) limits of the LFA during the term of this Franchise.

1.14. *Franchisee*: Verizon California, Inc., and its lawful and permitted successors, assigns and transferees.

1.15. *Government Access Channel*: An Access Channel available for the sole use of the LFA and other local governmental entities located in the Franchise Area.

1.16. *Gross Revenue*: All revenue, as determined in accordance with generally accepted accounting principles, which is derived by Franchisee from the operation of the Cable System to provide Cable Service in the Service Area, provided, however, that Gross Revenue shall not include:

1.16.1. Revenues received by any Affiliate or other Person, in exchange for supplying goods or services used by Franchisee to provide Cable Service over the Cable System;

1.16.2. Bad debts written off by Franchisee in the normal course of its business, provided, however, that bad debt recoveries shall be included in Gross Revenue during the period collected;

1.16.3. Refunds, rebates or discounts made to Subscribers or other third parties;

1.16.4. Any revenues classified, in whole or in part, as Non-Cable Services revenue under federal or state law including, without limitation, revenue received from Telecommunications Services; revenue received from Information Services, including, without limitation, Internet Access service, electronic mail service, electronic bulletin board service, or similar online computer services; charges made to the public for commercial or cable television that is used for two-way communication; and any other revenues attributed by Franchisee to Non-Cable Services in accordance with FCC or state public utility regulatory commission rules, regulations, standards or orders;

1.16.5. Any revenue of Franchisee or any other Person which is received directly from the sale of merchandise through any Cable Service distributed over the Cable System, notwithstanding that portion of such revenue which represents or can be attributed to a Subscriber fee or a payment for the use of the Cable System for the sale of such merchandise, which portion shall be included in Gross Revenue;

1.16.6. The sale of Cable Services on the Cable System for resale in which the purchaser is required to collect cable franchise fees from purchaser's customer;

1.16.7. The sale of Cable Services to customers, which are exempt, as required or allowed by the LFA including, without limitation, the provision of Cable Services to public institutions as required or permitted herein;

1.16.8. Any tax of general applicability imposed upon Franchisee or upon Subscribers by a city, state, federal or any other governmental entity and required to be collected by Franchisee and remitted to the taxing entity (including, but not limited to, sales/use tax, gross receipts tax, excise tax, utility users tax, public service tax, communication taxes and non-cable franchise fees);

1.16.9. Any foregone revenue which Franchisee chooses not to receive in exchange for its provision of free or reduced cost cable or other communications services to any Person, including without limitation, employees of Franchisee and public institutions or other institutions designated in the Franchise; provided, however, that such foregone revenue which Franchisee chooses not to receive in exchange for trades, barter, services or other items of value shall be included in Gross Revenue;

1.16.10. Sales of capital assets or sales of surplus equipment;

1.16.11. Program launch fees; or

1.16.12. Directory or Internet advertising revenue including, but not limited to, yellow page, white page, banner advertisement and electronic publishing.

1.17. *Information Services*: Shall be defined herein as it is defined under Section 3 of the Communications Act, 47 U.S.C. §153(20).

1.18. *Interactive On-demand Services*: Shall be defined herein as it is defined under Section 602 of the Communications Act, 47 U.S.C. § 522(12).



1.19. *Internet Access*: Dial-up or broadband access service that enables Subscribers to access the Internet.

1.20. *Local Franchise Authority (LFA)*: The City of Beaumont, California or the lawful successor, transferee, or assignee thereof.

1.21. *Non-Cable Services*: Any service that does not constitute the provision of Video Programming directly to multiple Subscribers in the Franchise Area including, but not limited to, Information Services, Interactive On-demand Services and Telecommunications Services.

1.22. *Normal Business Hours*: Those hours during which most similar businesses in the community are open to serve customers. In all cases, "normal business hours" must include some evening hours at least one night per week and/or some weekend hours.

1.23. *Normal Operating Conditions*: Those service conditions which are within the control of the Franchisee. Those conditions which are not within the control of the Franchisee include, but are not limited to, natural disasters, civil disturbances, power outages, telephone network outages, and severe or unusual weather conditions. Those conditions which are within the control of the Franchisee include, but are not limited to, special promotions, pay-per-view events, rate increases, regular peak or seasonal demand periods, and maintenance or rebuild of the Cable System. See 47 C.F.R. § 309(c)(4)(ii).

1.24. *PEG*: Public, educational, and governmental.

1.25. *Person*: An individual, partnership, association, joint stock company, trust, corporation, or governmental entity.

1.26. *Public Access Channel*: An Access Channel available for the use solely by the residents in the Franchise Area.

1.27. *Public Rights-of-Way*: The surface and the area across, in, over, along, upon and below the surface of the public streets, roads, bridges, sidewalks, lanes, courts, ways, alleys, and boulevards, including, public utility easements and public lands and waterways used as Public Rights-of-Way, as the same now or may thereafter exist, which are under the jurisdiction or control of the LFA. Public Rights-of-Way do not include the airwaves above a right-of-way with regard to cellular or other nonwire communications or broadcast services.

1.28. *Respond*: Franchisee's investigation of a Service Interruption by receiving a Subscriber call and opening a trouble ticket, if required.

1.29. *Service Area*: All portions of the Franchise Area where Cable Service is being offered, as outlined in Exhibit A, and any additional service areas.

1.30. *Service Interruption*: The loss of picture or sound on one or more cable channels or channel equivalents.

1.31. *Significant Outage*: A significant outage of the Cable Service shall mean any Service Interruption lasting at least four (4) continuous hours that affects at least ten percent (10%) of the Subscribers in the Service Area

1.32. *Subscriber*: A Person who lawfully receives Cable Service of the Cable System with Franchisee's express permission.

1.33. *Telecommunications Facilities*: Franchisee's existing Telecommunications Services and Information Services facilities and its FTTP Network facilities.

1.34. *Telecommunication Services*: Shall be defined herein as it is defined under Section 3 of the Communications Act, 47 U.S.C. § 153(46).

1.35. *Title II*: Title II of the Communications Act.

1.36. *Title VI*: Title VI of the Communications Act.

1.37. *Transfer of the Franchise*:

1.37.1. Any transaction in which:

1.37.1.1. an ownership or other interest in Franchisee is transferred, directly or indirectly, from one Person or group of Persons to another Person or group of Persons, so that control of Franchisee is transferred; or

1.37.1.2. the rights held by Franchisee under the Franchise are transferred or assigned to another Person or group of Persons.

1.37.2. However, notwithstanding Sub-subsections 1.37.1.1 and 1.37.1.2 above, a *Transfer of the Franchise* shall not include transfer of an ownership or other interest in Franchisee to the parent of Franchisee or to another Affiliate of Franchisee; transfer of an interest in the Franchise or the rights held by the Franchisee under the Franchise to the parent of Franchisee or to another Affiliate of Franchisee; any action which is the result of a merger of the parent of the Franchisee; or any action which is the result of a merger of another Affiliate of the Franchisee.

1.38. *Video Programming*: Shall be defined herein as it is defined under Section 602 of the Communications Act, 47 U.S.C. § 522(20).

## **2. GRANT OF AUTHORITY; LIMITS AND RESERVATIONS.**

2.1. *Grant of Authority*: Subject to the terms and conditions of this Agreement and the Cable Law, the LFA hereby grants the Franchisee the right to own, construct, operate and maintain a Cable System along the Public Rights-of-Way within the Franchise Area, in order to provide Cable Service. No privilege or power of eminent domain is bestowed by this grant; nor is such a privilege or power bestowed by this Agreement.

2.2. *LFA Does Not Regulate Telecommunications:* The LFA's regulatory authority under Title VI of the Communications Act does not extend to the construction, installation, maintenance or operation of the Franchisee's FTTP Network to the extent the FTTP Network is being constructed, installed, maintained and operated for the purpose of upgrading and/or extending Verizon's existing Telecommunications Facilities for the provision of Non-Cable Services.

2.3. *Term:* This Franchise shall become effective on the date that the Franchisee first provides Cable Service on a commercial basis directly to multiple Subscribers in the Franchise Area (the "Effective Date"), following its approval by the LFA's governing authority authorized to grant franchises and its acceptance by the Franchisee. The term of this Franchise shall be fifteen (15) years from the Effective Date unless the Franchise is earlier revoked as provided herein. The Franchisee shall memorialize the Effective Date by notifying the LFA in writing of the same, which notification shall become a part of this Franchise.

2.4. *Grant Not Exclusive:* The Franchise and the right it grants to use and occupy the Public Rights-of-Way to provide Cable Services shall not be exclusive, and the LFA reserves the right to grant other franchises for similar uses or for other uses of the Public Rights-of-Way, or any portions thereof, to any Person, or to make any such use themselves, at any time during the term of this Franchise. Any such rights which are granted shall not adversely impact the authority as granted under this Franchise and shall not interfere with existing facilities of the Cable System or Franchisee's FTTP Network.

2.5. *Franchise Subject to Federal Law:* Notwithstanding any provision to the contrary herein, this Franchise is subject to and shall be governed by all applicable provisions of federal law as it may be amended, including but not limited to the Communications Act.

2.6. *No Waiver:*

2.6.1. The failure of the LFA on one or more occasions to exercise a right or to require compliance or performance under this Franchise, the Cable Law or any other applicable law shall not be deemed to constitute a waiver of such right or a waiver of compliance or performance by the LFA, nor to excuse Franchisee from complying or performing, unless such right or such compliance or performance has been specifically waived in writing.

2.6.2. The failure of the Franchisee on one or more occasions to exercise a right under this Franchise or applicable law, or to require performance under this Franchise, shall not be deemed to constitute a waiver of such right or of performance of this Agreement, nor shall it excuse the LFA from performance, unless such right or performance has been specifically waived in writing.

2.7. *Construction of Agreement:*

2.7.1. The provisions of this Franchise shall be liberally construed to effectuate their objectives. Pursuant to Section 5.36.227(b) of the Cable Law, in the event of a conflict between the Cable Law and this Agreement, this Agreement shall prevail.

2.7.2. Nothing herein shall be construed to limit the scope or applicability of Section 625 of the Communications Act, 47 U.S.C. § 545.

2.7.3. Should any change to federal, state or local law, rules, or regulations have the lawful effect of materially altering the terms and conditions of this Franchise, then the parties shall modify this Franchise to the mutual satisfaction of both parties to ameliorate the negative effects on the Franchisee of the material alteration. If the parties cannot reach agreement on the above-referenced modification to the Franchise, then Franchisee may terminate this Agreement without further obligation to the LFA or, at Franchisee's option, the parties agree to submit the matter to binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association.

2.7.4. The LFA and the Franchisee each acknowledge that they have received independent legal advice in entering into this Agreement. In the event that a dispute arises over the meaning or application of any term(s) of this Agreement, such term(s) shall not be construed by reference to any doctrine calling for ambiguities to be construed against the drafter of the Agreement.

2.8. *Police Powers:* Nothing in the Franchise shall be construed to prohibit the reasonable, necessary and lawful exercise of the LFA's police powers. However, if the reasonable, necessary and lawful exercise of the LFA's police power results in any material alteration of the terms and conditions of this Franchise, then the parties shall modify this Franchise to the mutual satisfaction of both parties to ameliorate the negative effects on the Franchisee of the material alteration. If the parties cannot reach agreement on the above-referenced modification to the Franchise, then Franchisee may terminate this Agreement without further obligation to the LFA or, at Franchisee's option, the parties agree to submit the matter to binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association.

### 3. **PROVISION OF CABLE SERVICE.**

#### 3.1. *Service Area:*

3.1.1. *Service Area:* Franchisee shall provide Cable Service to all residential areas of the Service Area, and may make Cable Service available to businesses in the Service Area, within twelve (12) months of the Effective Date of this Franchise, except: (A) for periods of Force Majeure; (B) for periods of delay caused by the LFA; (C) for periods of delay resulting from Franchisee's inability to obtain authority to access rights-of-way in the Service Area; (D) in areas where developments or buildings are subject to claimed exclusive arrangements with other providers; (E) in developments or buildings that Franchisee cannot access under reasonable terms and conditions after good faith negotiation, as determined by Franchisee; and (F) in developments or buildings that Franchisee is unable to provide Cable Service for technical reasons or which require non-standard facilities which are not available on a commercially reasonable basis; and (G) in areas where the occupied residential household density does not meet the density requirement set forth in Sub-section 3.1.1.1.

3.1.1.1. *Density Requirement:* Franchisee shall make Cable Services available to residential dwelling units in all areas of the Service Area where the average density is equal to or greater than 20 occupied residential dwelling units per mile as measured in strand footage from the nearest technically feasible point on the active FTTP Network trunk or feeder line. Should, through new construction, an area within the Service Area meet the density requirements after the time stated for providing Cable Service as set forth in Subsections 3.1.1, Franchisee shall provide Cable Service to such area within six (6) months of receiving notice that the density requirements have been met.

3.1.2. *Additional Service Areas:* Aside from the Service Area, Franchisee shall not be required to extend its Cable System or to provide Cable Services to any other areas within the Franchise Area during the term of this Franchise or any Renewals thereof. If Franchisee desires to add additional Service Areas within the Franchise Area, Franchisee shall notify the LFA in writing of such additional service areas at least ten (10) days prior to providing Cable Services in such areas.

3.2. *Availability of Cable Service:* Franchisee shall make Cable Service available to all residential dwelling units and may make Cable Service available to businesses within the Service Area in conformance with Section 3.1 and Franchisee shall not discriminate between or among any individuals in the availability of Cable Service. In the areas in which Franchisee shall provide Cable Service, Franchisee shall be required to connect, at Franchisee's expense, all residential dwelling units that are within one hundred twenty five (125) feet of trunk or feeder lines not otherwise already served by Franchisee's FTTP Network. Franchisee shall be allowed to recover, from a Subscriber that requests such connection, actual costs incurred for residential dwelling unit connections that exceed 125 feet and actual costs incurred to connect any non-residential dwelling unit Subscriber.

3.3. *Cable Service to Public Buildings:* Franchisee shall provide, without charge within the Service Area, one service outlet activated for Basic Service to each fire station, public school, police station, public library, and such other buildings used for municipal purposes as may be designated by the LFA as provided in Exhibit B; provided, however, that if it is necessary to extend Franchisee's trunk or feeder lines more than one hundred twenty five (125) feet solely to provide service to any such school or public building, then the LFA shall have the option either of paying Franchisee's direct costs for such extension in excess of one hundred twenty five (125) feet, or of releasing Franchisee from the obligation to provide service to such building. Furthermore, Franchisee shall be permitted to recover, from any public building owner entitled to free service, the direct cost of installing, when requested to do so, more than one outlet, or concealed inside wiring, or a service outlet requiring more than one hundred twenty five (125) feet of drop cable; provided, however, that Franchisee shall not charge for the provision of Basic Service to the additional service outlets once installed.

3.4. *Access to Open Trenches:* The LFA agrees to include Franchisee in the platting process for any new subdivision. The LFA agrees, at a minimum, to require as a condition of issuing a permit for open trenching to any utility or developer that (i) the utility or developer give Franchisee at least ten (10) days advance written notice of the availability of the open trench, and (ii) that the utility or developer provide Franchisee with reasonable access to the

open trench. Notwithstanding the foregoing, Franchisee shall not be required to utilize any open trench.

#### 4. **SYSTEM OPERATION.**

4.1. The parties recognize that Franchisee's FTTP Network is being constructed and will be operated and maintained as an upgrade to and/or extension of its existing Telecommunications Facilities. The jurisdiction of the LFA over such Telecommunications Facilities is restricted by federal and state law, and the LFA does not assert jurisdiction over Franchisee's FTTP Network in contravention of those limitations.

#### 5. **SYSTEM FACILITIES.**

5.1. *System Characteristics:* Franchisee's Cable System shall at all times during the Franchise Term, meet or exceed the following requirements:

5.1.1. The System shall be designed with an initial analog passband of 860 MHz.

5.1.2. The System shall be designed to be an active two-way plant utilizing the return bandwidth to permit such services as impulse pay-per-view and other interactive services.

5.2. *Interconnection:* The Franchisee shall design its Cable System so that it may be interconnected with other cable systems in the Franchise Area. Interconnection of systems may be made by direct cable connection, microwave link, satellite, or other appropriate methods.

5.3. *Emergency Alert System:*

5.3.1. Franchisee shall comply with the Emergency Alert System ("EAS") requirements of the FCC in order that emergency messages may be distributed over the System.

5.3.2. The LFA shall permit only appropriately trained and authorized Persons to operate the EAS equipment and shall take reasonable precautions to prevent any use of the Cable System in any manner that results in inappropriate use thereof, or any loss or damage to the Cable System. Except to the extent expressly prohibited by law, the LFA shall hold Franchisee, its employees, officers and assigns harmless from any claims arising out of use of the EAS, including, but not limited to, reasonable attorneys' fees and costs.

#### 6. **PEG SERVICES.**

6.1. *PEG Set Aside*

6.1.1. In order to ensure universal availability of public, educational and government programming, Franchisee shall provide on the Basic Service Tier one (1) dedicated Educational Access Channel, and one (1) dedicated Government Access Channel (collectively,

“EG Channels”). Franchisee reserves the right to program the EG Channels during the hours not used by the LFA or its designee.

6.1.2. Within ten (10) days after the Effective Date of this Agreement, the LFA shall notify Franchisee of the programming to be carried on each of the EG Channels set aside by Franchisee, as listed in Exhibit C. Thereafter, Franchisee shall assign the EG Channels on its channel line-up as set forth in such notice, to the extent such channel assignments do not interfere with any pre-existing channels.

6.1.3. Franchisee shall use reasonable efforts to interconnect its Cable System with the existing cable operator(s). Promptly after the LFA’s award of the Franchise, the Franchisee shall initiate interconnection negotiations with the existing cable operator(s) to cablecast, on a live basis, educational and governmental access programming consistent with this Franchise. Interconnection may be accomplished by direct cable, microwave link, satellite or other reasonable method of connection. Franchisee shall negotiate in good faith with existing cable operator(s) respecting reasonable, mutually convenient, cost-effective, and technically viable interconnection points, methods, terms and conditions. The LFA shall require the existing cable operator(s) to provide such interconnection to the Franchisee on reasonable terms and conditions. The construction costs and ongoing expenses of interconnection shall be fairly shared between the Franchisee and the existing cable operator(s). The Franchisee and the existing cable operator(s) shall negotiate the precise terms and conditions of an interconnection agreement. The LFA shall use its best efforts to facilitate these negotiations. If Franchisee is unable to reach such an agreement within thirty (30) days after requesting in writing to interconnect with other local cable operator(s), LFA shall assist in mediating such dispute. If no agreement is reached within an additional thirty (30) days, Franchisee agrees that LFA shall designate the point of interconnection. If the cost of interconnection would be unreasonable, interconnection is not technically feasible or would cause an unacceptable increase in Subscriber rates, or if an existing cable operator will not agree to reasonable terms and conditions of interconnection, the Franchisee will be under no obligation to interconnect the Cable System or carry EG programming originating on the cable system of the existing cable operator(s).

6.2. All local producers and users of any of the EG facilities or Channels shall agree in writing to hold harmless Franchisee and the LFA from any and all liability or other injury, including the reasonable cost of defending claims or litigation, arising from or in connection with claims for failure to comply with applicable federal laws, rules, regulations or other requirements of local, state or federal authorities; for claims of libel, slander, invasion of privacy, or the infringement of common law or statutory copyright; for unauthorized use of any trademark, trade name or service mark; for breach of contractual or other obligations owing to third parties by the producer or user; and for any other injury or damage in law or equity, which result from the use of a EG facility or Channel.

6.3. To the extent permitted by federal law, the Franchisee shall be allowed to recover the costs arising from the provision of EG services from Subscribers and to include such costs as a separately billed line item on each Subscriber’s bill. Without limiting the forgoing, if allowed under state and federal laws, Franchisee may externalize, line-item, or otherwise pass-through interconnection costs to Subscribers.

## **7. FRANCHISE FEES.**

7.1. *Payment to LFA:* Franchisee shall pay to the LFA a Franchise fee of five percent (5%) of annual Gross Revenue. In accordance with Title VI of the Communications Act, the twelve (12) month period applicable under the Franchise for the computation of the Franchise fee shall be a calendar year. Such payments shall be made no later than thirty (30) days following the end of each calendar quarter. Franchisee shall be allowed to submit or correct any payments that were incorrectly omitted, and shall be refunded any payments that were incorrectly submitted, in connection with the quarterly Franchise fee remittances within 90 days following the close of the calendar year for which such payments were applicable.

7.2. *Supporting Information:* Each Franchise fee payment shall be accompanied by a brief report prepared by a representative of Franchisee showing the basis for the computation.

7.3. *Limitation on Franchise Fee Actions:* The period of limitation for recovery of any Franchise fee payable hereunder shall be four (4) years from the date on which payment by Franchisee is due.

7.4. *Bundled Services:* If Cable Services subject to the Franchise fee required under this Article 7 are provided to Subscribers in conjunction with Non-Cable Services, the Franchise fee shall be applied only to the value of the Cable Services, as reflected on the books and records of Franchisee in accordance with FCC or state public utility regulatory commission rules, regulations, standards or orders.

## **8. CUSTOMER SERVICE.**

Franchisee's obligations concerning Customer Service Requirements shall include the following, which shall be binding unless amended by written consent of the parties.

### *8.1. Cable System Office Hours and Telephone Availability:*

8.1.1. Franchisee will maintain a local, toll-free or collect call telephone access line, which will be available to its customers 24 hours a day, seven days a week.

8.1.2. Trained Franchisee representatives will be available to respond to customer telephone inquiries during Normal Business Hours. Franchisee representatives trained and qualified to answer questions related to Cable Service in the Service Area must be available to receive reports of Service Interruptions twenty-four (24) hours a day, seven (7) days a week, and other inquiries at least forty-five (45) hours per week. Franchisee representatives shall identify themselves by name when answering this number.

8.1.3. Franchisee may use an Automated Response Unit ("ARU") or a Voice Response Unit ("VRU") to distribute calls. If a foreign language routing option is provided, and the Subscriber does not enter an option, the menu will default to the first tier menu of English options. After the first tier menu (not including a foreign language rollout) has run through three times, if customers do not select any option, the ARU or VRU will forward the call



to a queue for a live representative. The Franchisee may reasonably substitute this requirement with another method of handling calls from customers who do not have touch-tone telephones.

8.1.4. Under Normal Operating Conditions, telephone answer time, including wait time, shall not exceed thirty (30) seconds after the connection is made. If the call needs to be transferred, transfer time shall not exceed thirty (30) seconds. These standards shall be met no less than ninety (90) percent of the time under Normal Operating Conditions, measured on a quarterly basis. Measurement of this standard shall include all calls received by the Franchisee at all call centers receiving calls from Subscribers, whether they are answered by a live representative, by an automated attendant, or abandoned after 30 seconds of call waiting.

8.1.5. Franchisee will not be required to acquire equipment or perform surveys to measure compliance with the telephone answering standards above unless a historical record of complaints indicates a failure to comply with requirements in Subsection 8.1.4.

8.1.6. Under Normal Operating Conditions, customers will receive a busy signal no more than three percent (3%) of the time.

8.2. *Installations, Outages and Service Calls:* Under Normal Operating Conditions, each of the following standards will be met no less than ninety percent (90%) of the time, measured on a calendar quarterly basis, excluding customer requests for connection later than seven (7) business days:

8.2.1. Standard installations will be performed within seven (7) business days after an order has been placed (or at a later time if requested by the Subscriber) and an optical network terminal (ONT) device has been installed at the Subscriber's premises. For purposes of this provision, standard installations are those that are located up to one hundred twenty five (125) feet from the existing distribution system.

8.2.2. Under Normal Operating Conditions, the Franchisee must Respond to a call from a Subscriber regarding a Service Interruption or other service problems within the following time frames:

8.2.2.1. Within twenty-four (24) hours, including weekends, of receiving subscriber calls respecting Service Interruptions in the Service Area.

8.2.2.2. The Franchisee must begin actions to correct all other Cable Service problems the next business day after notification by the Subscriber or the LFA of a Cable Service problem.

8.2.3. The appointment window alternatives provided to customers for arrivals to perform installations, service calls, and other activities will be either a specific time or, at a maximum, a four (4) hour scheduled time block during appropriate daylight available hours, usually beginning at 8:00 AM unless it is deemed appropriate to begin earlier by location exception. At the Franchisee's discretion, the Franchisee may offer Subscribers appointment arrival times other than these four (4) hour time blocks, if agreeable to the Subscriber. These hour restrictions do not apply to weekends.

8.2.4. If a Franchisee representative is running late for an appointment with a customer and will not be able to keep the appointment as scheduled, the customer will be contacted. The appointment will be rescheduled, as necessary, at a time which is convenient for the customer.

8.2.5. Under Normal Operating Conditions, the Franchisee shall provide a credit upon Subscriber request when all Channels received by that Subscriber are out of service for a period of four (4) consecutive hours or more. The credit shall equal, at a minimum, a proportionate amount of the affected Subscriber(s) current monthly bill. In order to qualify for the credit, the Subscriber must promptly report the problem and allow the Franchisee to verify the problem if requested by the Franchisee. If Subscriber availability is required for repair, a credit will not be provided for such time, if any, that the Subscriber is not reasonably available.

8.2.6. Under Normal Operating Conditions, if a Significant Outage affects all Video Programming Cable Services for more than twenty-four (24) consecutive hours, the Franchisee shall issue an automatic credit to the affected Subscribers in the amount equal to their monthly recurring charges for the proportionate time the Cable Service was out, or a credit to the affected subscribers in the amount equal to the charge for the basic plus enhanced basic level of service for the proportionate time the Cable Service was out, whichever is technically feasible or, if both are technically feasible, as determined by Franchisee provided such determination is non-discriminatory. Such credit shall be reflected on Subscriber billing statements within the next available billing cycle following the outage.

8.3. *Customer Complaints:* Under Normal Operating Conditions, the Franchisee shall investigate Subscriber complaints referred by the LFA within seventy-two (72) hours. The Franchisee shall notify the LFA of those matters that necessitate an excess of seventy-two (72) hours to resolve, but those matters must be finally resolved within fifteen (15) days of the initial complaint. The LFA may require reasonable documentation to be provided by the Franchisee to substantiate the request for additional time to resolve the problem. For purposes of this Section, "resolve" means that the Franchisee shall perform those actions, which, in the normal course of business, are necessary to investigate the Customer's complaint and advise the Customer of the results of that investigation.

#### 8.4. *Billing:*

8.4.1. Subscriber bills must be itemized to describe Cable Services purchased by Subscribers and related equipment charges. Bills shall clearly delineate activity during the billing period, including optional charges, rebates, credits, and aggregate late charges. Franchisee shall, without limitation as to additional line items, be allowed to itemize as separate line items, Franchise fees, taxes and/or other governmentally imposed fees. The Franchisee shall maintain records of the date and place of mailing of bills.

8.4.2. Every Subscriber with a current account balance sending payment directly to Franchisee shall be given at least twenty (20) days from the date statements are mailed to the Subscriber until the payment due date.

8.4.3. A specific due date shall be listed on the bill of every Subscriber whose account is current. Delinquent accounts may receive a bill which lists the due date as upon receipt; however, the current portion of that bill shall not be considered past due except in accordance with 8.4.2. above.

8.4.4. Any Subscriber who, in good faith, disputes all or part of any bill shall have the option of withholding the disputed amount without disconnect or late fee being assessed until the dispute is resolved provided that:

8.4.4.1. The Subscriber pays all undisputed charges;

8.4.4.2. The Subscriber provides notification of the dispute to Franchisee within five (5) days prior to the due date; and

8.4.4.3. The Subscriber cooperates in determining the accuracy and/or appropriateness of the charges in dispute.

8.4.4.4. It shall be within the Franchisee's sole discretion to determine when the dispute has been resolved.

8.4.5. Under Normal Operating Conditions, the Franchisee shall initiate investigation and resolution all billing complaints received from Subscribers within five (5) business days of receipt of the complaint. Final resolution shall not be unreasonably delayed.

8.4.6. The Franchisee shall provide a telephone number and address on the bill for Subscribers to contact the Franchisee.

8.4.7. The Franchisee shall forward a copy of any billing inserts or other mailing sent to Subscribers to the LFA upon request.

8.4.8. The Franchisee shall provide all Subscribers with the option of paying for Cable Service by check or an automatic payment option, where the amount of the bill is automatically deducted from a checking account designated by the Subscriber. Franchisee may in the future, at its' discretion, permit payment by using a major credit card on a preauthorized basis. Based on credit history, at the option of the Franchisee, the payment alternative may be limited.

8.4.9. Bills shall be considered paid when appropriate payment is received by the Franchisee or its' authorized agent. Appropriate time considerations shall be included in the Franchisee's collection procedures to assure that payments due have been received before late notices or termination notices are sent.

#### *8.5. Deposits, Refunds and Credits:*

8.5.1. The Franchisee may require refundable deposits from Subscribers with 1) a poor credit or poor payment history, 2) who refuse to provide credit history information to the Franchisee, or 3) who rent Subscriber equipment from the Franchisee, so long as such deposits are applied on a non-discriminatory basis. The deposit the Franchisee may charge

Subscribers with poor credit or poor payment history or who refuse to provide credit information may not exceed an amount equal to an average Subscriber's monthly charge multiplied by six (6). The maximum deposit the Franchisee may charge for Subscriber equipment is the cost of the equipment which the Franchisee would need to purchase to replace the equipment rented to the Subscriber.

8.5.2. The Franchisee shall refund or credit the Subscriber for the amount of the deposit collected for equipment, which is unrelated to poor credit or poor payment history, after one year and provided the Subscriber has demonstrated good payment history during this period. The Franchisee shall pay interest on other deposits if required law.

8.5.3. Under Normal Operating Conditions, refund checks will be issued within the next available billing cycle following the resolution of the event giving rise to the refund, (e.g. equipment return and final bill payment).

8.5.4. Credits for Cable Service will be issued no later than the Subscriber's next available billing cycle, following the determination that a credit is warranted, and the credit is approved and processed. Such approval and processing shall not be unreasonably delayed.

#### *8.6. Disconnection / Denial of Service:*

8.6.1. The Franchisee shall not terminate Cable Service for nonpayment of a delinquent account unless the Franchisee provides a notice of the delinquency and impending termination at least ten (10) days prior to service suspension and twenty (20) days prior to the proposed final termination. The notice shall be mailed to the Subscriber to whom the Cable Service is billed. The notice of delinquency and impending termination may be part of a billing statement.

8.6.2. Cable Service terminated in error must be restored without charge within twenty-four (24) hours of notice. If a Subscriber was billed for the period during which Cable Service was terminated in error, a credit shall be issued to the Subscriber if the Service Interruption was reported by the Subscriber.

8.6.3. Nothing in these standards shall limit the right of the Franchisee to deny Cable Service for non-payment of previously provided Cable Services, refusal to pay any required deposit, theft of Cable Service, damage to the Franchisee's equipment, abusive and/or threatening behavior toward the Franchisee's employees or representatives, or refusal to provide credit history information or refusal to allow the Franchisee to validate the identity, credit history and credit worthiness via an external credit agency.

8.6.4. Charges for cable service will be discontinued at the time of requested termination of service by the subscriber, except equipment charges may be applied until equipment has been returned. No period of notice prior to requested termination of service can be required of Subscribers by the Franchisee. No charge shall be imposed upon the Subscriber for or related to total disconnection of Cable Service or for any Cable Service delivered after the effective date of the disconnect request, unless there is a delay in returning Franchisee equipment or early termination charges apply pursuant to the Subscriber's service

contract. If the Subscriber fails to specify an effective date for disconnection, the Subscriber shall not be responsible for Cable Services received after the day following the date the disconnect request is received by the Franchisee. For purposes of this subsection, the term "disconnect" shall include Subscribers who elect to cease receiving Cable Service from the Franchisee and to receive Cable Service or other multi-channel video service from another Person or entity.

*8.7. Communications Between Franchisee and Subscribers:*

8.7.1. All Franchisee personnel, contractors and subcontractors contacting Subscribers or potential Subscribers outside the office of the Franchisee shall wear a clearly visible identification card bearing their name and photograph. The Franchisee shall make reasonable effort to account for all identification cards at all times. In addition, all Franchisee representatives shall wear appropriate clothing while working at a Subscriber's premises. Every service vehicle of the Franchisee and its contractors or subcontractors shall be clearly identified as such to the public. Specifically, Franchisee vehicles shall have the Franchisee's logo plainly visible. The vehicles of those of contractors and subcontractors working for the Franchisee shall have the contractor's / subcontractor's name plus markings (such as a magnetic door sign) indicating they are under contract to the Franchisee.

8.7.2. The Franchisee shall send annual notices to all Subscribers informing them that any complaints or inquiries not satisfactorily handled by the Franchisee may be referred to the LFA.

8.7.3. All notices identified in this Section shall be by either:

8.7.3.1. A separate document included with a billing statement or included on the portion of the monthly bill that is to be retained by the Subscriber; or

8.7.3.2. A separate electronic notification

8.7.4. The Franchisee shall provide reasonable notice to Subscribers of any pricing changes or additional changes (excluding sales discounts, new products or offers) and, subject to the forgoing, any changes in Cable Services, including channel line-ups. Such notice must be given to Subscribers a minimum of thirty (30) days in advance of such changes if within the control of the Franchisee, and the Franchisee shall provide a copy of the notice to the LFA including how and where the notice was given to Subscribers.

8.7.5. The Franchisee shall provide information to all Subscribers about each of the following items at the time of installation of Cable Services, annually to all Subscribers, at any time upon request, and, subject to Subsection 8.7.4, at least thirty (30) days prior to making significant changes in the information required by this Section if within the control of the Franchisee:

8.7.5.1. Products and Cable Service offered;

8.7.5.2. Prices and options for Cable Services and condition of subscription to Cable Services. Prices shall include those for Cable Service options, equipment

rentals, program guides, installation, downgrades, late fees and other fees charged by the Franchisee related to Cable Service;

8.7.5.3. Installation and maintenance policies including, when applicable, information regarding the Subscriber's in-home wiring rights during the period Cable Service is being provided;

8.7.5.4. Channel positions of Cable Services offered on the Cable System;

8.7.5.5. Complaint procedures, including the name, address and telephone number of the LFA, but with a notice advising the Subscriber to initially contact the Franchisee about all complaints and questions;

8.7.5.6. Procedures for requesting Cable Service credit;

8.7.5.7. The availability of a parental control device;

8.7.5.8. Franchisee practices and procedures for protecting against invasion of privacy; and

8.7.5.9. The address and telephone number of the Franchisee's office to which complaints may be reported.

A copy of notices required in this Subsection 8.7.5., will be given to the LFA at least fifteen (15) days prior to distribution to subscribers if the reason for notice is due to a change that is within the control of Franchisee and as soon as possible if not within the control of Franchisee.

8.7.6. Notices of changes in rates shall indicate the Cable Service new rates and old rates, if applicable.

8.7.7. Notices of changes of Cable Services and/or Channel locations shall include a description of the new Cable Service, the specific dial location, and the hours of operation of the Cable Service if the Cable Service is only offered on a part-time basis. In addition, should the dial location, hours of operation, or existence of other Cable Services be affected by the introduction of a new Cable Service, such information must be included in the notice.

8.7.8. Every notice of termination of Cable Service shall include all of the following information:

8.7.8.1. The name and address of the Subscriber whose account is delinquent;

8.7.8.2. The amount of the delinquency;

8.7.8.3. The date by which payment is required in order to avoid termination of Cable Service; and

8.7.8.4. The telephone number for the Franchisee where the Subscriber can receive additional information about their account and discuss the pending termination.

## 9. **REPORTS AND RECORDS.**

9.1. *Open Books and Records:* Upon reasonable written notice to the Franchisee and with no less than thirty (30) business days' written notice to the Franchisee, the LFA shall have the right to inspect Franchisee's books and records pertaining to Franchisee's provision of Cable Service in the Franchise Area at any time during Normal Business Hours and on a nondisruptive basis, as are reasonably necessary to ensure compliance with the terms of this Franchise. Such notice shall specifically reference the section or subsection of the Franchise which is under review, so that Franchisee may organize the necessary books and records for appropriate access by the LFA. Franchisee shall not be required to maintain any books and records for Franchise compliance purposes longer than three (3) years. Notwithstanding anything to the contrary set forth herein, Franchisee shall not be required to disclose information that it reasonably deems to be proprietary or confidential in nature, nor disclose any of its or an Affiliate's books and records not relating to the provision of Cable Service in the Service Area. The LFA agrees to treat any information disclosed by Franchisee as confidential and only to disclose it to employees, representatives, and agents thereof that have a need to know, or in order to enforce the provisions hereof. Franchisee shall not be required to provide Subscriber information in violation of Section 631 of the Communications Act, 47 U.S.C. § 551.

9.2. *Records Required:* Franchisee shall at all times maintain:

9.2.1. Records of all written complaints for a period of three years after receipt by Franchisee. The term "complaint" as used herein refers to complaints about any aspect of the Cable System or Franchisee's cable operations, including, without limitation, complaints about employee courtesy. Complaints recorded will not be limited to complaints requiring an employee service call;

9.2.2. Records of outages for a period of three years after occurrence, indicating date, duration, area, and the number of Subscribers affected, type of outage, and cause;

9.2.3. Records of service calls for repair and maintenance for a period of three years after resolution by Franchisee, indicating the date and time service was required, the date of acknowledgment and date and time service was scheduled (if it was scheduled), and the date and time service was provided, and (if different) the date and time the problem was resolved;

9.2.4. Records of installation/reconnection and requests for service extension for a period of three years after the request was fulfilled by Franchisee, indicating the date of request, date of acknowledgment, and the date and time service was extended; and

9.2.5. A public file showing the area of coverage for the provisioning of Cable Services and estimated timetable to commence providing Cable Service.

## **10. INSURANCE AND INDEMNIFICATION.**

### ***10.1. Insurance:***

10.1.1. Franchisee shall maintain in full force and effect, at its own cost and expense, during the Franchise Term, the following insurance coverage:

10.1.1.1. Commercial General Liability Insurance in the amount of one million dollars (\$1,000,000) combined single limit for property damage and bodily injury. Such insurance shall cover the construction, operation and maintenance of the Cable System, and the conduct of Franchisee's Cable Service business in the LFA.

10.1.1.2. Automobile Liability Insurance in the amount of one million dollars (\$1,000,000) combined single limit for bodily injury and property damage coverage.

10.1.1.3. Workers' Compensation Insurance meeting all legal requirements of the State of California.

10.1.2. The LFA shall be designated as an additional insured under each of the insurance policies required in this Article 10 except Worker's Compensation Insurance..

10.1.3. Each of the required insurance policies shall be noncancellable except upon thirty (30) days prior written notice to the LFA. Franchisee shall not cancel any required insurance policy without submitting documentation to the LFA verifying that the Franchisee has obtained alternative insurance in conformance with this Agreement.

10.1.4. Each of the required insurance policies shall be with sureties qualified to do business in the State of California with an A or better rating for financial condition and financial performance by Best's Key Rating Guide, Property/Casualty Edition.

10.1.5. Upon written request, Franchisee shall deliver to LFA Certificates of Insurance showing evidence of the required coverage.

### ***10.2. Indemnification:***

10.2.1. Franchisee agrees to indemnify, save and hold harmless, and defend the LFA, its officers, employees, agents and boards, from and against any liability for damages and for any liability or claims resulting from tangible property damage or bodily injury (including accidental death), to the extent proximately caused by Franchisee's negligent construction, operation, or maintenance of its Cable System, provided that the LFA shall give Franchisee written notice of its obligation to indemnify the LFA within ten (10) days of receipt of a claim or action pursuant to this subsection. Notwithstanding the foregoing, Franchisee shall not indemnify the LFA for any damages, liability or claims resulting from the willful misconduct or negligence of the LFA, its officers, employees, agents, attorneys, consultants, independent contractors or third parties or for any activity or function conducted by any Person other than Franchisee in connection with EG Access or the EAS, or the distribution of any Cable Service over the Cable System.



10.2.2. With respect to Franchisee's indemnity obligations set forth in Subsection 10.2.1, Franchisee shall provide the defense of any claims brought against the LFA by selecting counsel of Franchisee's choice to defend the claim, subject to the consent of the LFA, which shall not unreasonably be withheld. Nothing herein shall be deemed to prevent the LFA from cooperating with the Franchisee and participating in the defense of any litigation by its own counsel at its own cost and expense, provided however, that after consultation with the LFA, Franchisee shall have the right to defend, settle or compromise any claim or action arising hereunder, and Franchisee shall have the authority to decide the appropriateness and the amount of any such settlement. In the event that the terms of any such settlement does not include the release of the LFA and the LFA does not consent to the terms of any such settlement or compromise, and provided the settlement is reasonable, Franchisee shall not settle the claim or action but its obligation to indemnify the LFA shall in no event exceed the amount of such settlement.

10.2.3. LFA shall hold Franchisee harmless and shall be responsible for damages, liability or claims resulting from willful misconduct or negligence of the LFA.

10.2.4. The LFA shall be responsible for its own acts of willful misconduct or negligence, or breach of obligation committed by the LFA for which the LFA is legally responsible, subject to any and all defenses and limitations of liability provided by law. The Franchisee shall not be required to indemnify the LFA for acts of the LFA which constitute willful misconduct or negligence, on the part of the LFA, its officers, employees, agents, attorneys, consultants, independent contractors or third parties.

10.2.5. In any administrative or judicial proceeding involving a third party claim against the LFA arising from the LFA's grant of this Franchise or the operation hereof, Franchisee at its option and own cost and expense may intervene in such proceeding and the LFA consents to such intervention. In any such proceeding, the LFA agrees to assert its limitation from liability to the full extent permitted by Section 635A of the Communications Act, 47 U.S.C. § 555a, or similar applicable law.

## **11. TRANSFER OF FRANCHISE.**

11.1. Subject to Subsection 14.12, *infra*, and Section 617 of the Communications Act, 47 U.S.C. § 537, no Transfer of the Franchise shall occur without the prior consent of the LFA, provided that such consent shall not be unreasonably withheld, delayed or conditioned. No such consent shall be required, however, for a transfer in trust, by mortgage, by other hypothecation, by assignment of any rights, title, or interest of the Franchisee in the Franchise or Cable System in order to secure indebtedness, or otherwise excluded under Section 1.37 above.

## **12. RENEWAL OF FRANCHISE.**

12.1. The LFA and Franchisee agree that any proceedings undertaken by the LFA that relate to the renewal of this Franchise shall be governed by and comply with the provisions of Subsection 14.12, *infra*, and Section 626 of the Communications Act, 47 U.S.C. § 546.

12.2. In addition to the procedures set forth in said Section 626 of the Communications Act, the LFA agrees to notify Franchisee of all of its assessments regarding the identity of future cable-related community needs and interests, as well as the past performance of Franchisee under the then current Franchise term. The LFA further agrees that such assessments shall be provided to Franchisee promptly so that Franchisee has adequate time to submit a proposal under Section 626 and complete renewal of the Franchise prior to expiration of its term.

12.3. Notwithstanding anything to the contrary set forth herein, Franchisee and the LFA agree that at any time during the term of the then current Franchise, while affording the public appropriate notice and opportunity to comment, the LFA and Franchisee may agree to undertake and finalize informal negotiations regarding renewal of the then current Franchise and the LFA may grant a renewal thereof.

12.4. Franchisee and the LFA consider the terms set forth in this Article 12 to be consistent with the express provisions of Section 626.

### **13. ENFORCEMENT AND TERMINATION OF FRANCHISE.**

13.1. *Notice of Violation:* In the event that the LFA believes that Franchisee has not complied with the terms of the Franchise, the LFA shall informally discuss the matter with Franchisee. If these discussions do not lead to resolution of the problem, the LFA shall notify Franchisee in writing of the exact nature of the alleged noncompliance.

13.2. *Franchisee's Right to Cure or Respond:* Franchisee shall have thirty (30) days from receipt of the written notice described in Section 13.1 to: (i) respond to the LFA, if Franchisee contests (in whole or in part) the assertion of noncompliance; (ii) cure such default; or (iii) in the event that, by the nature of default, such default cannot be cured within the thirty (30) day period, initiate reasonable steps to remedy such default and notify the LFA of the steps being taken and the projected date that they will be completed.

13.3. *Public Hearing:* In the event that Franchisee fails to respond to the written notice described in Section 13.1 pursuant to the procedures set forth in Section 13.2, or in the event that the alleged default is not remedied within thirty (30) days or the date projected pursuant to Section 13.2(iii) above, if it intends to continue its investigation into the default, then the LFA shall schedule a public hearing. The LFA shall provide Franchisee at least thirty (30) business days prior written notice of such hearing, which will specify the time, place and purpose of such hearing, and provide Franchisee the opportunity to be heard.

13.4. *Enforcement:* Subject to Subsection 14.12, *infra*, and applicable federal and state law, in the event the LFA, after the hearing set forth in Section 13.3, determines that Franchisee is in default of any provision of the Franchise, the LFA may:

13.4.1. Seek specific performance of any provision, which reasonably lends itself to such remedy, as an alternative to damages; or

13.4.2. Commence an action at law for monetary damages or seek other equitable relief; or

13.4.3. In the case of a substantial material default of a material provision of the Franchise, seek to revoke the Franchise in accordance with Section 13.5.

13.5. *Revocation:* Should the LFA seek to revoke the Franchise after following the procedures set forth in Sections 13.1 through 13.4 above, the LFA shall give written notice to Franchisee of its intent. The notice shall set forth the exact nature of the noncompliance. The Franchisee shall have forty-five (45) days from such notice to object in writing and to state its reasons for such objection. In the event the LFA has not received a satisfactory response from Franchisee, it may then seek termination of the Franchise at a public hearing. The LFA shall cause to be served upon the Franchisee, at least twenty (20) days prior to such public hearing, a written notice specifying the time and place of such hearing and stating its intent to revoke the Franchise.

13.5.1. At the designated hearing, Franchisee shall be provided a fair opportunity for full participation, including the right to be represented by legal counsel, to introduce relevant evidence, to require the production of evidence, to compel the relevant testimony of the officials, agents, employees or consultants of the LFA, to compel the testimony of other persons as permitted by law, and to question and/or cross examine witnesses. A complete verbatim record and transcript shall be made of such hearing.

13.5.2. Following the public hearing, Franchisee shall be provided up to thirty (30) days to submit its proposed findings and conclusions in writing and thereafter the LFA shall determine (i) whether an Event of Default has occurred; (ii) whether such Event of Default is excusable; and (iii) whether such Event of Default has been cured or will be cured by the Franchisee. The LFA shall also determine whether to revoke the Franchise based on the information presented, or, where applicable, grant additional time to the Franchisee to effect any cure. If the LFA determines that the Franchise shall be revoked, the LFA shall promptly provide Franchisee with a written decision setting forth its reasoning. Franchisee may appeal such determination of the LFA to an appropriate court, which shall have the power to review the decision of the LFA *de novo*. Franchisee shall be entitled to such relief as the court finds appropriate. Such appeal must be taken within sixty (60) days of Franchisee's receipt of the determination of the franchising authority.

13.5.3. The LFA may, at its sole discretion, take any lawful action which it deems appropriate to enforce the LFA's rights under the Franchise in lieu of revocation of the Franchise.

13.6. *Franchisee Termination:* Franchisee shall have the right to terminate this Franchise and all obligations hereunder within ninety (90) days after the end of three (3) years from the Effective Date of this Franchise, if at the end of such three (3) year period Franchisee does not then in good faith believe it has achieved a commercially reasonable level of Subscriber penetration on its Cable System. Franchisee may consider Subscriber penetration levels outside the Franchise Area in this determination. Notice to terminate under this Section 13.6 shall be given to the City in writing, with such termination to take effect no sooner than one hundred and twenty (120) days after giving such notice. Franchisee shall also be required to give its then current Subscribers not less than ninety (90) days prior written notice of its intent to cease operations.

#### 14. MISCELLANEOUS PROVISIONS.

14.1. *Actions of Parties:* In any action by the LFA or Franchisee that is mandated or permitted under the terms hereof, such party shall act in a reasonable, expeditious, and timely manner. Furthermore, in any instance where approval or consent is required under the terms hereof, such approval or consent shall not be unreasonably withheld, delayed or conditioned.

14.2. *Binding Acceptance:* This Agreement shall bind and benefit the parties hereto and their respective heirs, beneficiaries, administrators, executors, receivers, trustees, successors and assigns, and the promises and obligations herein shall survive the expiration date hereof.

14.3. *Preemption:* In the event that federal or state law, rules, or regulations preempt a provision or limit the enforceability of a provision of this Agreement, the provision shall be read to be preempted to the extent, and for the time, but only to the extent and for the time, required by law. In the event such federal or state law, rule or regulation is subsequently repealed, rescinded, amended or otherwise changed so that the provision hereof that had been preempted is no longer preempted, such provision shall thereupon return to full force and effect, and shall thereafter be binding on the parties hereto, without the requirement of further action on the part of the LFA. Nothing in this Subsection is intended to limit the requirements of Subsection 2.7.3.

14.4. *Force Majeure:* Franchisee shall not be held in default under, or in noncompliance with, the provisions of the Franchise, nor suffer any enforcement or penalty relating to noncompliance or default, where such noncompliance or alleged defaults occurred or were caused by a Force Majeure.

14.4.1. Furthermore, the parties hereby agree that it is not the LFA's intention to subject Franchisee to penalties, fines, forfeitures or revocation of the Franchise for violations of the Franchise where the violation was a good faith error that resulted in no or minimal negative impact on Subscribers, or where strict performance would result in practical difficulties and hardship being placed upon Franchisee which outweigh the benefit to be derived by the LFA and/or Subscribers.

14.5. *Notices:* Unless otherwise expressly stated herein, notices required under the Franchise shall be mailed first class, postage prepaid, to the addressees below. Each party may change its designee by providing written notice to the other party.

14.5.1. Notices to Franchisee shall be mailed to:

Verizon California, Inc.  
Attn: Tim McCallion, President – Pacific Region  
112 Lakeview Canyon Road,  
Thousand Oaks, CA 91362

14.5.2. with a copy to:

Verizon Communications, Inc.  
Attn: Randal Milch, Senior Vice President and Deputy General  
Counsel  
1095 Avenue of the Americas  
New York, NY 10036

14.5.3. Notices to the LFA shall be mailed to:

City Manager  
City of Beaumont  
550 E. Sixth Street  
Beaumont, CA 92223

14.6. *Entire Agreement:* This Franchise and the Exhibits hereto constitute the entire agreement between Franchisee and the LFA as to the provision of Cable Services in the Franchise Area only. Amendments to this Franchise shall be mutually agreed to in writing by the parties.

14.7. *Captions:* The captions and headings of articles and sections throughout this Agreement are intended solely to facilitate reading and reference to the sections and provisions of this Agreement. Such captions shall not affect the meaning or interpretation of this Agreement.

14.8. *Severability:* If any section, subsection, sentence, paragraph, term, or provision hereof is determined to be illegal, invalid, or unconstitutional, by any court of competent jurisdiction or by any state or federal regulatory authority having jurisdiction thereof, such determination shall have no effect on the validity of any other section, subsection, sentence, paragraph, term or provision hereof, all of which will remain in full force and effect for the term of the Franchise.

14.9. *Recitals:* The recitals set forth in this Agreement are incorporated into the body of this Agreement as if they had been originally set forth herein.

14.10. *Franchisee's FTTP Network:* The LFA and the Franchisee recognize and agree that due to the nature of the Franchisee's FTTP Network, certain provisions of the Cable Law are not applicable to the Franchisee, including, but not limited to Sections 5.36.370, 5.36.375, 5.36.505 and 5.36.510.

14.11. *Modification:* This Agreement shall not be modified except by written instrument executed by both parties.

14.12. *FTTP Network Sale Prohibition:* Under no circumstance including, without limitation, upon expiration, revocation, termination, denial of renewal of the Franchise or any other action to forbid or disallow Franchisee from providing Cable Services, shall Franchisee or its assignees be required to sell any right, title, interest, use or control of any portion of Franchisee's FTTP Network including, without limitation, any spectrum capacity used for cable service or otherwise, to the LFA or any third party. Franchisee shall not be required to

remove the FTTP Network(s) or to relocate the FTTP Network(s) as a result of revocation, expiration, termination, denial of renewal or any other action to forbid or disallow Franchisee from providing Cable Services. This provision is not intended to contravene leased access requirements under Title VI or PEG requirements set out in this Agreement.

**SIGNATURE PAGE FOLLOWS**

AGREED TO THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2004.

City of Beaumont, California

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Seal

Attest:

City Clerk:

Approved as to Form:

City Attorney:

Verizon California Inc.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

### EXHIBITS

Exhibit A: Service Area Map

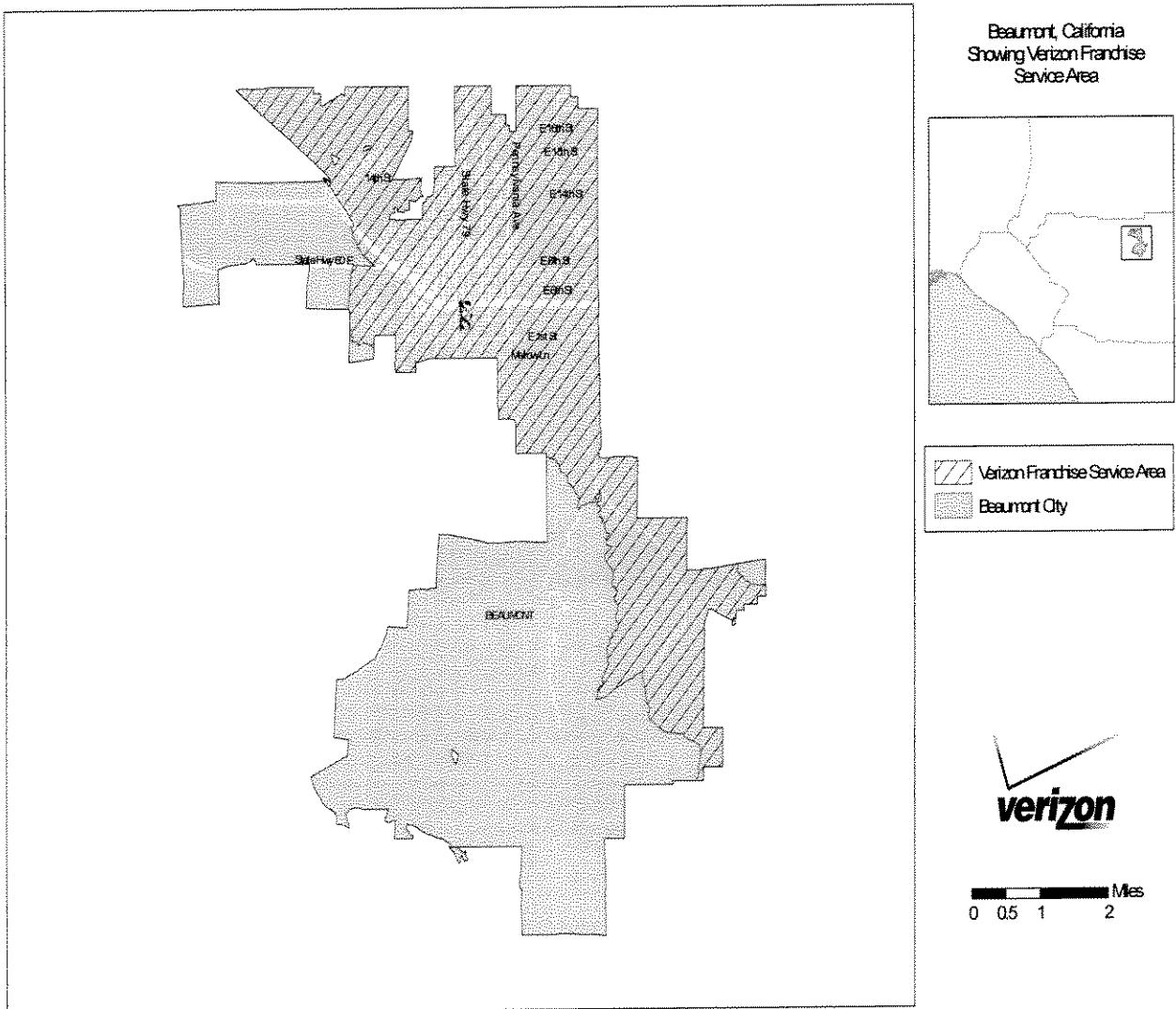
Exhibit B: Municipal Buildings to be Provided Cable Service

Exhibit C: EG Channels

# EXHIBIT A

## SERVICE AREA MAP

The franchised service area is shown in the map set forth below.





**EXHIBIT B**  
**MUNICIPAL BUILDINGS TO BE PROVIDED FREE CABLE SERVICE**  
**[TO BE DESIGNATED BY THE CITY OF BEAUMONT]**

**EXHIBIT C**  
**EG CHANNELS**

**[TO BE DESIGNATED BY FRANCHISEE]**